FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,600 Friday October 16 1981

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 30; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 1000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 42p; MALTA 25c

NEWS SUMMARY

GENERAL

£2m gold haul may uncover tax fraud

Customs investigators who seized £2m worth of gold bullion on Wednesday night at an RAF base believe they have uncovered a VAT fraud after a three-month investigation.

Over 150 police and customs investigators seized a plane carrying a quarter tonne of gold on a flight from Switzerland and detained 16 people around the country in an operation code-named Finger, after James Bond's legendary enemy Goldfinger.

The operation was launched after it was suspected that value added tax, which is payable at the standard rate of 15 per cent on gold imports, was being evaded. It was suspected that half of those detained would be charged overnight with offences under the Finance Act.

Malaysia denial

Malaysia's Foreign Minister denied his country had plans to boycott British goods, contradicting reports that plans to vet Government purchases from British companies in the Prime Minister's office would be implemented. Page 4

Polish expulsion

Bogdan Lis, former number three in Solidarity and highest-ranking Communist in the Polish trade union, was expelled from the Party. Kania safe, Page 3

BL strike on

Workers at BL cars voted on an all-out strike from November 1 after a day in which the company, Government and union leaders underscored their determination not to compromise over the 3.8 per cent pay offer. Back Page

Civil servant plan

The Government outlined proposals for bringing market forces and the "wider national interest" to bear in a pay system for Britain's 540,000 white-collar civil servants. Back Page

Awacs in action

Two U.S. radar reconnaissance aircraft sent to Egypt went straight into operation along the Libyan border instead of landing at Cairo West air base. Page 4

Freedom call

U.S. President Ronald Reagan hammered home his message that "economic freedom" was indispensable for world development and launched an attack on the Soviet Union. Back Page

Literature prize

Bulgarian-born writer Elias Canetti, 76, won the 1981 Nobel Prize for literature. He lives in London and writes novels and essays in German. Page 2

Schmidt denial

Reports that West German Chancellor Helmut Schmidt's life was in danger before his "pacemaker" operation were "vastly exaggerated" the Government said.

Zimbabwe ban

The Zimbabwe Government tightened restrictions on political meetings and demonstrations in what it described as a move to reduce tensions.

Briefly . . .

Visitors from India will no longer be admitted to Canada without visas.

Spain's Association of Sport Writers voted Sebastian Coe the world's best athlete this year.

A bid to ban the shooting of wildfowl on Sundays throughout the UK failed in the House of Lords.

The World Health Organisation warned tourists in Spain not to buy cooking oil in unmarked containers.

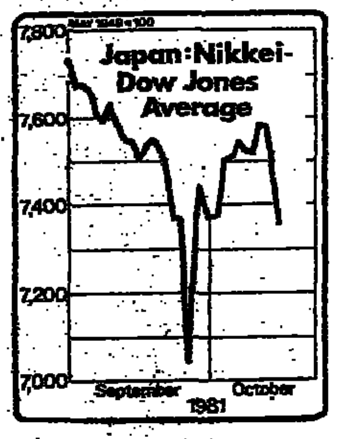
BUSINESS

$ firmer; sterling up in Europe

● DOLLAR closed firmer, at its best level of the day, at DM 2.229 (DM 2.222), SwFr 1.8675 (SwFr 1.8625), and Y230.5 (Y228.6). Its trade-weighted index, which failed to take account of its late improvement, was 107.4 (107.5). Page 28

● STERLING lost 30 points to $1.85, but improved to DM 4.125 (DM 4.12), SwFr 3.4575 (SwFr 3.4525) and FFr 10.345 (FFr 10.34). Its trade-weighted index was 88.3 (88.2). Page 28

● TOKYO: Nikkei Dow index fell sharply by 141.64 to 7,352.49 owing to Wednesday's Wall Street slide and Honda's weaker performance. Page 30



● EQUITIES were little changed in extremely slow trading. The FT 30-share index improved 6.8 to 473.2. Page 32

● GILTS eased a shade further. The Government Securities index was off 0.12 at 61.55. Page 32

● WALL STREET was up 4.47 to 855.12 near the close. Page 30

● GOLD closed unchanged in London at $444.5. In New York, the Comex October close was $442.9. Page 28

● NEWMONT MINING, U.S. gold and copper mining concern, tried in a New York court to block a bid by Consolidated Gold Fields for up to half the company.

● SOVIET UNION and Snam, subsidiary of Italian state energy body ENI, signed a preliminary agreement for gas from the proposed Siberian pipeline. Back Page

● NATIONAL Nuclear Corporation and the CEGB signed a contract worth an estimated £472m for management services at the Heysham two power station. Back Page

● FRENCH Government is to curtail parliamentary debate of its Nationalisation Bill following the Paribas Suisse affair. Back Page

● U.S. BUDGET deficit for 1981-82 may rise at least $10bn above the $43.1bn limit President Reagan wants, Republican senators warned. Page 4

● FLUOR (GREAT BRITAIN), part of the U.S. construction and engineering group, is thinking of moving its headquarters out of London because of rising rates. Page 12

● GRUNDIG, West German electronics group, wants a British partner to make video cassette recorders in the UK. Page 7

● BRITISH Shipbuilders unions lifted sanctions imposed over the closure of the Robb Caledon yard at Dundee.

COMPANIES

● JOHN MOWLEM, international construction and mechanical engineering concern, increased pre-tax profits to £3.21m (£2.51m) in the first half. Page 20

● HONDA MOTORS, of Japan, saw consolidated net profits fall 51.2 per cent to Y28.33bn (£66.9m) in the first half to end-August. Page 26; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Chinese 5pc 1913	£12	+ 1	Glaxo	382	− 6
Aberthaw Cement	278	+ 8	Harvey Thompson	36	− 7
Brit Aluminium	38	+ 8	Mowlem (J.)	158	− 4
GEC	690	+ 12	Ratcliffe (FS) Inds	35	− 5
Greenbank Indsl	28	+ 3	Sotheby PB	400	− 20
Hoskins and Horton	125	+ 5	Stand Telephones	395	− 8
ICL	41	+ 4	Wood Hall Trust	137	− 9
Land Securities	288	+ 8	Ashton Mining	81	− 4
MEPC	208	+ 8	Bougainville	74	− 5
Plessey	364	+ 6	Central Pacific	48	− 6
Tube Invs	98	+ 6	Gld Mns Kalgoorlie	490	− 20
BP	288	+ 6	Kinross	752	− 32
Shell Transport	338	+ 8	Minorco	437	− 30
			Vaal Reefs	£37	− 1½
			Western Mining	278	− 9

Monetary squeeze will be maintained, Howe tells City

BY DAVID MARSH

THE GOVERNMENT will stick to its policy of monetary and fiscal restraint to beat inflation, even though this involves "difficult and painful" changes for the electorate and a drop in living standards, Sir Geoffrey Howe, Chancellor of the Exchequer, said last night.

Speaking to bankers at the annual Lord Mayor's dinner, Sir Geoffrey reaffirmed his opposition to moves to reflate the economy.

Higher public borrowing would only increase upward pressures on interest rates and dampen the chances of bringing down unemployment, he said.

In a passage likely to dampen further already fading City hopes of a quick fall in interest rates, he said that interest-rate tensions in the U.S., from which Britain could not isolate herself, were not likely to evaporate quickly.

The "harsh" external environment was likely to remain "for some time to come."

Sir Geoffrey's pledge of an unyielding attack on inflation in spite of the short-term effects on unemployment was backed up by a speech at the dinner by Mr Gordon Richardson, Governor of the Bank of England.

He said that the rise in interest rates in the past few weeks had been especially hard for industry when demand was weak and profits were low.

Insisting on the need for a firm exchange-rate policy to strengthen the fight against inflation, he said the authorities had no choice in taking action to bolster the pound.

STERLING M3 surged 2.1 per cent last month, fuelled by large-scale unfunded Government borrowing and a sharp rise in bank lending to the private sector. Page 6

Full report on speeches, Page 10

Any attempts by the Government to hold down interest rates in spite of market pressures would have risked an "unacceptable" fall in sterling, "unacceptable because it would have had major effects on the level of our domestic costs."

Both Sir Geoffrey and Mr Richardson said that the Government was not relying on monetary policy alone. It was looking at a range of indicators of monetary tightness in the absence of undistorted data for the money supply.

Sir Geoffrey, who used the occasion to deny squarely City rumours that the Government was preparing to reimpose exchange controls, reassured the City that the public-sector borrowing requirement this year was broadly on track for the targeted £10.5bn.

He said that his prescription of "steady, though not excessive, downward pressure" on monetary aggregates "over a period of years" involved a process of change that inevitably was difficult and painful.

If profits and investment were to recover, and the outlook for jobs was to be improved, "there has to be some fall in living standards," reversing the trend of the last three years, the Chancellor said.

Mr Richardson, though he pointed to "encouraging" improvements in productivity this year, and fewer strikes, gave a sombre appraisal of the position of the economy.

Underlining that the Bank remained somewhat more sceptical on the economic outlook than the Treasury, which maintains that the upturn has already begun, Mr Richardson said that the recession "has at least

Continued on Back Page

Tough plans for Civil Service pay, Back Page

Tory Cabinet split comes into open at conference

BY RICHARD EVANS, LOBBY EDITOR

THE POLICY rift in the Conservative Party became more evident yesterday as senior Ministers gave the Blackpool conference a vivid preview of the battles which lie ahead over public expenditure cuts and the direction of the economy.

Mr Francis Pym, Leader of the Commons, and Mr Michael Heseltine, Secretary for the Environment, gave clear indications of their desire for a more pragmatic approach to tackling unemployment, but other ministers adopted a much more uncompromising line.

Mr Norman Tebbit, Secretary for Employment, urged the conference not to be deluded by offers of soft options, and Mr Nigel Lawson, Energy Secretary, accused the Cabinet's leading critics of putting forward proposals which would result in a "holocaust of inflation."

The speeches showed that, despite the enthusiastic reception the Prime Minister will undoubtedly receive when she makes one of the most important speeches of her career to the conference today, the conflict in the party and the Government will continue unabated.

Conservative wets, both in the Government and on the backbenches, have suffered a series of tactical setbacks at the hands of the party's rank and file this week and were deeply relieved by the coded messages put out by Mr Pym and Mr Heseltine just a week before the Cabinet's economic committee discusses the next round of public expenditure cuts.

Mr Pym, one of the most influential members of the Cabinet, stressed the paramount need for loyalty to the leader, and argued that no one had produced a simple economic solution that would reduce inflation and unemployment and promote growth.

But he then accepted the basic case put by the Cabinet's critics, including Mr Edward Heath and Sir Ian Gilmour, that there are alternatives to the Government's strategy. He used the phrase "one nation" more than once to stress the need for policies that would attract a wide cross-section of the electorate to the Tory Party.

"Certainly there are alternatives and they are a proper subject for debate on their merits," he said. "But there are simply no policies waiting to be found somewhere that can bring an easy or quick solution."

Mr Heseltine also referred to Disraeli's one nation concept and the courage of politicians like Mr Iain Macleod in fighting against bitter criticism for the party's traditions of compassion and tolerance.

"Those traditions are not ours to squander or abuse. For a brief time they are entrusted to us to make relevant in today's world. They are the traditions that have kept our party in the forefront of British politics and in the centre of power," Mr Heseltine said.

He advocated additional public expenditure to increase investment if a satisfactory case could be made.

Mr Tebbit, making his maiden conference speech as Employment Secretary, was given an enthusiastic standing ovation after confirming his intention to bring in fresh industrial rela-

Continued on Back Page

Carpet maker in receivership

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

BLACKWOOD Morton and Sons (Holdings) the Scottish-based carpet maker which trades under the BMK name has called in receivers after suffering heavy trading losses.

The company, which employs 1,500, mainly at its Kilmarnock factory in south-west Scotland, will continue production while the receivers negotiate the sale of part of the plant. It is the second largest employer in Kilmarnock after the Johnny Walker distillery.

Blackwood Morton reported pre-tax losses of £1.84m for the first half of its year to December 31 last against £0.48m in the comparable period. Turnover was down from £10.92m to £8.87m.

At the time the company said sales had continued to be hit by the recession in the early part of this year.

Recent increases in interest rates were responsible for the final decision to call in the receiver, according to Mr Gavin Morton, the chairman, whose family controls more than 50 per cent of the shares.

Among the factors affecting the company have been overcapacity in the British carpets industry, increasing costs, decreasing sales as fewer houses, offices and hotels are built and strong import penetration by U.S. and Belgian manufacturers at the lower end of the market.

The company has concentrated on producing Axminster, a type of woven carpet, while cheaper tufted carpets have taken an increasing share of sales and now account for about 75 per cent of the carpet market.

Mr P. Hamish Armour and Mr Frank H. Mycroft of Deloitte Haskins and Sells were appointed by the Royal Bank of Scotland as receivers. Mr Mycroft, who moved into the offices yesterday morning, said he would try to sell the company as a going concern while reducing capital outflow to a minimum.

Closure of the company would be a major blow to the south-west of Scotland. Unemployment in the Kilmarnock area is already 18 per cent and more than one in four males is out of work in nearby Irvine.

The closure of the Massey Ferguson plant in Kilmarnock last year put 1,500 out of work.

CONTENTS

For latest Share Index phone 01-246 8026

Fowler bows to sick pay pressure

By John Elliott and Peter Riddell

THE GOVERNMENT has started to offer help to industry aimed at offsetting some of the financial pressures caused by the recession and high interest rates.

Yesterday Mr Norman Fowler, the Secretary of State for Social Services, told the Conservative Party conference the Government had accepted all business and industry objections to a national sick pay scheme announced last year.

And industry hopes for more relief from Sir Geoffrey Howe, the Chancellor of the Exchequer, who is considering cutting the employers' National Insurance Surcharge in the next six months.

Growing concern about industry's financial problems has

THE GOVERNMENT is likely to drop its plans to sell shares in shipyards to the private sector because of a decline in the yards' financial prospects and an overcrowded parliamentary timetable. Page 6

been aired at the Conservative Party conference this week, and will be repeated at the annual conference of the Confederation of British Industry early next month.

But, significantly, the sick pay concessions led Mr Bryan Rigby, CBI deputy director-general, to say yesterday that they would "ensure much wider support among employers for the Government's objectives."

Treasury Ministers now accept the case for a reduction in the National Insurance Surcharge to ease industry's costs, but any cut will be conditional on the Cabinet agreeing to detailed plans to hold down public spending.

The aim is to make an announcement in a major economic statement in late November for implementation next April. The Department of Industry might well press for an earlier reduction to help companies during the winter.

It is likely that the surcharge will be reduced rather than abolished immediately. A cut in the rate from the present 3½ per cent to, say, 2 per cent, would cost £1½bn in lost revenue in a full year.

The Treasury sent papers to Ministers on the public spending review on Wednesday night, ahead of a Cabinet meeting next Tuesday. The papers included an assessment of a cut in the surcharge which is clearly being offered to Ministers as bait to win their support for what are likely to be highly controversial proposals to hold down spending.

Chinese approve big industry plan with foreign aid

BY ALAIN CASS AND COLINA MacDOUGALL IN PEKING

CHINA has approved in principle several large mining and industrial projects, according to senior officials in Peking.

This is the first sign that the Chinese are making new investment decisions after nearly a year of inactivity.

The biggest of the new projects is a $400m (£216m) open-cast coal mine in north-west China, for which one of two big U.S. mining companies will supply technical equipment and expertise in a joint venture with China.

Li Hao, a senior official at the Import-Export Commission, said other projects approved in principle included:

● Renovation of Shanghai automotive plant by a West German motor company. This is understood to be Volkswagen, probably to produce its Santana model.

● A joint venture with American Motors, a subsidiary of Renault, to produce military trucks in Peking.

● Nanking automobile plant and Isuzu of Japan jointly to manufacture diesel engines.

The Import-Export Commission incorporates the Foreign Investment Commission, the body which approves large deals with foreign companies and has overall charge of foreign trade policy.

Li Hao said: "These three deals run into several hundred million dollars. We hope that this kind of co-operation will increase quite quickly."

Chinese leaders have recently suggested a shift of resources to certain heavy industries. In the past year production in heavy industry suffered a heavy fall after deep cuts under the "readjustment policy," which aimed at diverting resources to light industry and agriculture.

Agriculture

Li said no final contracts had yet been signed on any of these deals. If that happened they would have to go back to the Foreign Investment Commission for final approval.

In a separate interview Ling Hua, Vice-Minister for Metallurgy, implicitly acknowledged that the cuts in heavy industry had gone too far. "We have to develop heavy industry to have a sound basis for light industry and agriculture."

Despite the assurances that China is again in the market for foreign technology, foreign companies are likely to react sceptically after the arbitrary cancellation in the last year of a number of contracts, though some of these have since been reinstated.

One of the three original contenders for the mine in Shanxi province, Peabody Coal, has dropped out of the bidding.

A senior delegation from the Chinese Coal Ministry is in the U.S. to make a final choice between the remaining two, Occidental and the Consolidation Coal Company, a subsidiary of Du Pont.

Mr Armand Hammer, Occidental's boss, met Chinese leaders in Peking last June.

If the American coal-mining deal goes through, it will be the biggest single joint venture of its kind between the Chinese and foreign companies.

Li said China was anxious to speed up negotiations for the proposed nuclear power station in Guandong Province.

Finance

Negotiations for this huge project with a number of foreign companies, including Hong Kong's China Light and Power Company, Britain's GEC, Framatome of France, and Westinghouse of the U.S. have dragged on for the past 18 months.

China planned to finance 90 per cent of the deal with medium- and long-term foreign loans. "We are now calculating exactly what it will cost."

Asked how much China would borrow abroad in the next few years, Li said: "This is not a question for China alone.

"It will also depend on foreign institutions. We are still mainly looking for long-term low-interest loans. But we also want a certain amount of commercial credit."

He noted that if a venture was sufficiently profitable, high rates of interest would be no obstacle to borrowing. This attitude appears to mark a significant departure from earlier Chinese opposition to borrowing at commercial rates.

Despite the suggestions of a change in policy China still seems unlikely to be in the market for large amounts of expensive capital equipment in the near future, though more purchases in specific areas cannot be ruled out.

£ in New York

—	Oct. 14	Previous
Spot	$1.8600-8620	$1.8560-8580
1 month	0.05dis-0.02pm	0.07 dis-par
3 month	0.25-0.35 pm	0.15-0.25pm
12 months	1.20-1.40 pm	0.90-1.10pm

Turkey takes Right-wing step to democracy

BY METIN MUNIR IN ANKARA

TURKEY'S military rulers yesterday took their first step towards the restoration of civilian rule by appointing a consultative assembly which will draft a new Constitution.

Although the step is towards democracy, it is hardly a democratic one. The assembly, which has 160 members, is dominated by Right-wing figures and does not appear to be representative of the electorate or society. Forty members were directly appointed by General Kenan Evren's ruling National Security Council. The council, which consists of the service chiefs, selected the rest from lists submitted by the governors of Turkey's 67 provinces. One Turkish analyst said: "It's very Right-wing. I don't see any names who are likely to make noises on the problems of the masses."

Parties in Parliament, which was abolished after the coup 13 months ago, are not represented. General Evren blames them, with justification, for contributing to *Turkey's decline in* the period before the coup by not uniting to ward off economic problems and political terror which nearly caused a civil war. Likewise, extremist groups, unions and societies are not represented.

"You cannot blame the general for barring the politicians *and the extremists since they* are responsible for the mess which led to the coup," an observer said.

The announcement of the assembly on the State Radio at midday yesterday was accompanied by a request that members apply for registration, bringing their identity cards *and three passport-size photo*graphs. They are to be present "not later than 9.30 am at seats allocated to them" in Parliament on October 23 at the Assembly's opening session.

Apart from making a new Constitution, the Assembly will perform the functions of a limited-power Parliament but on a strictly consultative basis. It will debate the State budget and enact other basic legislation, including new acts governing elections and political parties.

In all legislation, the final say will rest with the National Security Council, which has been wielding all executive and legislative power since the coup.

The Assembly embraces senior citizens, most of whom are little-known. It includes 44 jurists, 30 engineers and 23 retired officers, including the former chief of the Turkish Secret Service. There are five women, three trade union and two employers' representatives, an actor and Turkey's best known heart surgeon. There are also 10 people who were Right-wing MPs in the Sixties and early Seventies.

The structure and membership of the Assembly indicates that General Evren and his colleagues want to push through their ideas on a new Constitution and other vital legislation without encountering any opposition.

What is likely to emerge is a system in which there will be a strong President and not more than two parties. (General Evren himself is likely to stand for election as President.) The ousted political leaders will almost certainly be barred from standing for the new Parliament.

Judges resign after Turkes trial rows

The trial of extreme right-wing Turkish politician Mr Alpaslan Turkes and his supporters was thrown into confusion yesterday when two of the judges on the military tribunal resigned after a series of stormy courtroom rows, Reuter reports from Ankara.

***Major Vural Ozenirler, chief* judge, removed his black gown and stepped from the platform in the latest twist of one of the most sensational political trials in recent Turkish history.**

The resignation, followed immediately by that of one of the deputy judges, was in response to demands for his withdrawal by defence lawyers and bitter arguments *between the defence and the* military prosecutor.

The prosecutor has demanded the death sentence for Mr Turkes and 210 activists of his Nationalist Movement Party (NMP) on *charges of trying to overthrow* the State and set up a right-wing dictatorship.

Major Ozenirler told the court: "After recent developments doubts may be cast on the soundness and impartiality of my judgment. I have therefore decided to resign." He did not elaborate.

Since the trial opened on August 19 the defence lawyers have repeatedly interrupted proceedings, challenging the prosecutors, demanding the withdrawal of the judges and complaining of the treatment of their clients.

The prosecutor read a 945-page indictment detailing alleged efforts by Mr Turkes, twice Deputy Prime Minister in the 1970s, to take over the country by infiltrating Government departments and organising violent armed youth groups.

Yesterday, in a statement to the court, Mr Turkes rejected the charges, saying evidence against him was ridiculous.

Robert Graham in Madrid examines weaknesses in commercial legislation

Bank of Spain falls foul of bankruptcy laws

THE BANK of Spain is learning to its cost the truth of the old dictum that the law is an ass. Mullish application of antiquated bankruptcy legislation has resulted in the bank's chief cashier being issued with a formal preventive detention order.

The order applies to the chief cashier, Sr Jesus Urdiola, and the entire 21-man board of the Banco de Navarra—including one dead man—which was declared bankrupt in November 1979. It completely ignores, *however, the fact that* Sr Urdiola, was sent in by the Bank of Spain to setle the financial chaos of Banko de Navarra, and there is absolutely no suggestion that he has behaved improperly. Recognising the special circumstances, the judge *who issued the order has said* that Sr Urdiola need not be detained. He has also allowed him to keep his passport and freedom to travel but has still *insisted on the law following* its course.

The Bank of Spain meanwhile, stands by its unfortunate employee and has appealed against the detention order. However, such is the process of law in Spain that even this *move by the leading banking* authority, which appointed Sr Urdiola as a public servant to perform a public function in Banco de Navarra, will have to wait between three and four months before the affair is settled.

The case serves nicely to highlight the serious inadequacies in Spain's commercial legislation.

Banco de Navarra is the only Spanish bank to be declared bankrupt in recent years. It went down with outstanding *debts of Pta 7bn ($73m) of* which Pta 4bn are considered irrecoverable.

Banco de Navarra was the creation of a prominent businessman, Sr Juan Palomeras who had had some success in film production and property development. He controlled the bank through an investment group, MPI. As early as January 1976 Bank of Spain inspectors were showing concern over *the state of his enterprise. This* increased as the MPI group's banking operations developed. The Bank of Spain finally intervened on January 17, 1978, appointing Sr Urdiola as the public administrator.

At the time the Bank of *Spain had such feeble powers* that it was impossible at first even to remove the board. The central bank's prime concern was to shore up confidence in the bank system and prevent Navarra's debts in the interbank market from starting a *chain reaction among other* banks known to be either weak, or actively involved with Navarra.

When Spain's "bank hospital"—the Corporacion Bancaria—was created in March, 1978 to absorb ailing banks, Navarra was excluded. The authorities wanted to wind up its affairs and not, as with banks that entered the Corporacion, restructure and then refloat it. Although more than a dozen banks have subsequently had difficulties, none has been declared bankrupt.

After the bankruptcy declaration, various judicial investigations were begun with a view to criminal proceedings. Charges have already been brought in a Barcelona court against Sr Palomeras for alleged fraudulent valuation of assets. The present action, however, concerns the general administration of the bank.

Spanish bankruptcy law is *part of a body of general com*mercial legislation which has incorporated the principles of a law passed in 1829, at a time when limited liability companies did not exist. On bankruptcy the judge had the power to arrest the "bankrupt"—the bankrupt person and the bankrupt enterprise being considered one and the same. Extended to the present day, this principle means that the *entire Board is responsible in* theory—and until proved to the contrary—for any misdeed which might have led to bankruptcy.

The incident is all the more galling for Sr Udiola because the one person not detained when the preventive detention order was issued turned out to be Sr Palomeras.

When police presented the order to him at his Barcelona home he disappeared while they waited for him to collect his bags.

He was picked up earlier this month, however, and being unable to post Pta 30m bail is now in jail.

Elias Canetti: record prize money

Canetti wins Nobel Prize for Literature

STOCKHOLM—Elias Canetti, a 76-year-old writer born in Bulgaria, living in London and writing in German, was awarded the 1981 Nobel Prize for Literature by the Swedish Academy here yesterday.

Canetti was cited by the academy "for writings marked by a broad outlook, a wealth of ideas and artistic power."

The winner, who according to academy sources has long been in line for the Prize, has written novels, plays and memoirs. He is of Spanish-Jewish origin and has lived in London since 1938. He carries a British passport.

Canetti became the first writer to receive a full SKr 1m (£100,000), the record prize sum.

The 18-member academy, which keeps its nominees, deliberations and votes secret, reportedly was more split this year than last year when the prize went to expatriate Polish-American novelist Czeslaw Milosz.

Canetti, whose first works were published in the early 1930s, achieved his literary breakthrough in 1935 with the novel Die Blendung (Auto Da Fe). He has published numerous works through the 1960s and 1970s, including travel notes, plays and essays. Agencies

Eastern European airlines battle for West Berlin market

BY LESLIE COLITT IN BERLIN

EASTERN EUROPEAN AIRLINES operating from East Berlin are copying Western airlines and ruthlessly undercutting each other's fares to capture a larger slice of the West Berlin market.

Pan Am, the only airline serving West Berlin *which still* has charter flights for Turkish workers between West Berlin and Istanbul, charges DM 840 (£155) for the round trip. Flying to Istanbul from East Berlin's Schoenefeld Airport with East Germany's Interflug Airline costs *only DM 490. This* has forced Turkish Airlines, which flies to Schoenefeld, to drop its fare.

Balkan Air, the Bulgarian airline, is undercutting them all by charging DM 418 via Sofia and has turned a deaf ear to the protests of the East German and Turkish airline.

The competition to win the business of the 100,000 Turks in West Berlin is so fierce that one East European airline representative accused the fraternal Comecon airline of "not even covering *its fuel costs" for the* flight to Istanbul.

The rock-bottom prices, however, in the course of two years lured virtually all Istanbul-bound Turks in West Berlin and many from West Germany to Schoenefeld Airport.

The charter airlines operating out of Tegel Airport in West Berlin—Dan Air, Laker, Monarch and Air Berlin USA—have stopped flying to Turkey and *in the* process lost 8 per cent of their turnover.

Pan Am is expected to halt its weekly charter flights from Tegel to Istanbul next month as Turkish tour operators in West Berlin have decided to rely solely on East Berlin's airport.

The West Berlin-based charter airlines have already watched as their once lucrative flights to Greece have been virtually creamed off by Interflug.

Flights to Athens from Schoenefeld by Interflug cost an *average of DM 330, which is* about DM 150 cheaper than the lowest fares offered by any of the charter airlines in West Berlin who note that their prices have been "shaved to the bone."

The defection to Interflug of West Berlin holidaymakers bound for Greece has cost the Western charter operators another 10 per cent of their business.

Spadolini pressed to enter pay discussions

BY JAMES BUXTON IN ROME

SIG GIOVANNI SPADOLINI, the Italian Prime Minister, will again have to become involved in negotiations with unions and employers on holding down the cost of labour if he is to salvage his anti-inflation policy.

The direct talks between the two sides of industry, which have lasted nearly six weeks, effectively broke down on Wednesday night. Both the union leaders and the employers said they would be seeking the Government's intervention.

The talks were aimed at agreeing a formula which would keep next year's rise in labour costs within the Government's 16 per cent inflation rate target.

This could be achieved either by modifying the triggering of the *Scala Mobile* indexation system or by the unions accepting modest pay increases in the coming three-year contract negotiations for most categories of workers.

A final proposal modifying the working of the *Scala Mobile* to allow more money for contract settlements was rejected by the unions on Wednesday.

Sig Spadolini will be under pressure to find an agreement both to maintain the credibility of his anti-inflation policy and to satisfy the employers.

Some Confindustria members are bitter that Sig Spadolini persuaded them last June not to abrogate their agreement to pay wage increases according to the *Scala Mobile*.

W. German steel merger considered

By Roger Boyes in Bonn

THE BONN Government is applying pressure on two major West German steel producers, *Krupp Stahl and Estel Hoesch*, in a bid to rationalise the ailing industry, possibly through a merger.

Krupp Stahl and Estel Hoesch, a Dutch-West German producer, said yesterday that their original plan for collaboration was rejected by the government. The two had now agreed to draft alternative proposals.

The basis of this tug-of-war is that Bonn would like to see Salzgitter, the state-owned steel concern, *also involved in* a collaboration agreement with Krupp and Hoesch.

But Krupp and Hoesch believe this will only complicate negotiations and delay agreement. With all three reporting high operating losses in their crude steel division, a lengthy delay could be disastrous.

But Krupp and Hoesch are clearly having to bend to the Bonn pressure and consider in more detail how Salzgitter could be drawn into their co-operation arrangement.

Both have a degree of dependency on Bonn's goodwill—Krupp Stahl needs government approval for a credit arrangement, and Hoesch requires a substantial slice of state assistance. Both also agree that even with pending price rises, their problems will not be solved.

The companies are wary of describing their talks as merger negotiations, but the signs are that the collaboration between Krupp and Hoesch will be very close.

Bonn officials have said that a merger in the industrial Ruhr region may be the only way of securing jobs, while at the same time pushing through rationalisation.

The trade unions have indicated that they would be happy with a merger or much closer market collaboration between Krupp and Hoesch providing that a formal employment guarantee was made.

Bundesbank urges real wage cut

BY *STEWART FLEMING IN FRANKFURT*

WEST GERMAN workers must accept another decrease in real income in 1982 in order to help the country's economy meet international competition, Dr Helmut Schlesinger, vice-president of the *Bundesbank*, the West German Central Bank, warned yesterday.

But Dr Schlesingner painted a brighter picture of the outlook for the economy in general, saying that after a decline in real gross national *product of 0.5 per* cent this year, he expected real growth of between 1 per cent and 2 per cent in 1982.

He also echoed recent Finance Ministry predictions over the outlook for the West German current account deficit.

For 1981, he said, the current account deficit could be about DM 25bn (£6bn), compared with the DM 30bn deficit of 1980.

For 1982, Dr Schlesinger said that in view of expectations of a 5 per cent growth in world trade and an improvement in general economic conditions world wide, the West German current account deficit could be halved.

Dr Schlesinger's comments are in line with the recent optimistic economic assessments of the Bundesbank. But *his* comments on labour market conditions are an early indication of the pressure the trade unions are likely to face in coming months to accept a modest wage settlement for 1982.

The unions, including the pace-making metalworkers' union IG Metall, are at the moment planning their tactics for the wage round which starts in early 1982.

Some union leaders are indicating there must be no repeat of the 1981 wage settlement.

As a result of this settlement, workers in key industries received increases of 5 per cent or less, even though the rate of inflation is likely to reach 6 per cent or more this year.

● Forecasts of further increases in unemployment next year are raising new problems for the West German Government's plans to curb its 1982 budget deficit.

The Finance Ministry is expecting that unemployment next year will rise to an average of between 1.5m and 1.6m. Thus the Government will face additional costs and revenue losses of between DM 4bn and DM 6bn.

Dr Schlesinger:
brighter economic outlook

Mauroy launches job creation scheme

BY TERRY DODSWORTH IN PARIS

BETWEEN 300,000 and 400,000 new jpobs should be created in France between now and the end of next year through a combined policy of economic growth and Government intervention, M Pierre Mauroy, the Prime Minister, said yesterday.

M Mauroy was speaking at the launch of a novel system of job-creating contracts designed to give employers a *direct subsidy from the State* for taking on new workers.

These measures come after the announcement of a number of other aid programmes, including help for youth employment and an increase in part-time work, all of which M Mauroy insisted were necessary to conquer the rapidly rising curve of French unemployment.

The Prime Minister painted a sombre picture of employment prospects in France. Unemployment has now reached *1.75m, against a background of* declining job offers. Every year another 750,000 young people come on to the job market, while only about 500,000 retire, leaving a requirement for the creation of 250,000 fresh openings, he said.

These *figures provide the* base for the Government's argument that economic growth, as M Mauroy put it yesterday, is simply not enough to fill the unemployment gap, even if the new, ambitious 3 per cent growth target is *achieved.*

To find at least half of the target jobs between now and the end of next year, he insisted, a new share-out of available work was needed, partly by means of the job-creation contracts.

These would relieve employers of between 75 and 100 per cent of their social security charges for a year on all new jobs produced as a result of a significant reduction in working hours.

In certain areas, the Government would undertake to pay for early retirement over the age of 60

French union chief warns on inflation

BY DAVID HOUSEGO IN PARIS

THE French Socialist administration's major economic policies were called into question yesterday by its closest ally in the trade union movement.

M Edmond Maire, head of the Socialist-dominated CFDT union, said in a radio interview that unemployment will "continue massively" over the next 12 months and that inflation "will not come down."

M Maire had some unexpectedly harsh things to say about Government policies over nationalisation, reform of the labour laws, and the nuclear power programme. He urged the Socialist Party to discuss serious matters at the congress next month — namely "what would be the Government" position in a year's time."

M Maire's voice is one the Government cannot afford to ignore and M Pierre Maurey, the Prime Minister, was stung into making a lengthy reply. He accused M Maire of failing to understand what the Government was trying to do and of wanting "to march ahead of the music."

M Maire is seen as a moderate labour leader whose thoughtful views have helped shape Socialist policy. The Government is critically dependent on his union as its main support in securing labour co-operation for an incomes policy, and negotiated agreements over work-sharing and increases in productivity.

M Jacques Delors, the Finance Minister, last week underlined this dependence when he said that a Socialist administration would have more success in running a wage restraint policy than its predecessors because for the first time in 25 years, the unions were working with a government of the Left.

M Maire's scepticism about bringing down the inflation rate is widely shared. The provisional figures issued this week for the rise in the Consumer Price Index show an advance of about 1.1 per cent for September, confirming a trend of about 14 per cent for the year.

Officials expect that the selective price controls introduced by M Delors recently will only slow down the pace of inflation for the year by 0.5 per cent.

Other key assumptions in the Government's forecasting as it has emerged in the 1982 budget also smack of wishful thinking. The Government is looking to a 4½ per cent increase in productivity in 1982 and a 37 per cent increase in company profits after tax.

Apart from the Prime Minister's response, M Maire received a sharp rebuff yesterday from rival union leaders.

EEC call to consult on defence spending

By John Wyles in Brussels

THE EUROPEAN Commission has for the first time formally urged closer co-operation on the purchasing of defence equipment as an important element in an EEC policy to encourage industrial innovation.

The Commission's recommendation is tentative because of the issue is so highly sensitive for Ireland. It was endorsed only a day after EEC Foreign Ministers agreed to include the political aspects of security in *their discussions on foreign* polcy co-ordination.

Ireland has said that this is as far as it can go on foreign policy without compromising its neutrality. Meanwhile, Mr Michael O'Kennedy, the Irish Commisioner, has fought a spoiling action within in the Commission to prevent any suggestions emerging on how a common defence procurement policy might be developed.

The document on industrial innovation which has been sent to the Council of Ministers *draws attention to the* "particular problem" caused by the fact that the approac hto defence procurement is excessively nationalistic.

The Commission claims that costs could be cut through a more intensive and long-term *co-operation between* the "appropriate organisations" within member states.

The last time this issue was raised publicly in a speech by Mr Christopher Tugendhat, the British Commissioner, Mr O'Kennedy called in journalists *to complain thta Mr Tugend*hat had no authority to call for for co-operation on military procurement and other defence issues.

Some officials doubt if co-operation on military purchasing can get underway until *there has ben a breakthrough* on public procurement in general. Existing regulations appear to be failing to break down national barriers and the Commission calls in its documents for stronger efforts to create a genuine common market for public contracts.

These absorb about 10 per cent of Community gross domestic product.

Its other proposals include a joint study with member states on the effects of tax and financial policies on industrial investment.

Poles start talks on food prices as strike continues

BY *CHRISTOPHER BOBINSKI IN WARSAW*

POLISH Government and Solidarity union officials began talks on food and price policies yesterday while 12,500 textile and other workers at Zyrardow, 25 miles west of the capital, *continued their strike in pro*test at food shortages.

Solidarity was expected to demand that the authorities freeze all price increases until the official prices policy wins union approval and the authorities agree to some measure of independent control over their economic policies.

STATE *organisations estimate* that Poland will have to devote between 38 and 55 per cent of hard currency earnings towards repayment and servicing of its estimated $26bn (£14bn) foreign debt by 1984, the official news agency PAP *reported*, Reuter *reports* from Warsaw.

The textile workers' strike has underlined the dramatic situation throughout the country. Last month farmers sold 31.5 per cent less meat to the State than they did in September 1980.

Over the first nine months of the year, supplies from farmers of meat to the official distribution network declined by 21.3 per cent and contracts for sale for the next two months are down by almost half.

Following protests in the major industrial area of Silesia and in the textile centre of Lodz in the summer, the auth*orities have decided to favour* the major cities where supplies cover 70 per cent of the amount of meat due under the rationing system. The smaller towns have suffered and Zyrardow, for example, is getting only 30 per cent of the meat due under *rationing.*

Figures published for the first nine months of the year show that industrial production has fallen by 13.4 per cent while wages have risen by 27.4 per cent compared with the same period in 1980.

● Mr Stanislaw Kania's position as Polish party leader seems secure for the Central Committee meeting starting today following a bitter attack by hard-line members of the Warsaw Party organisation which failed to result in an open demand for leadership changes.

In a gesture of support, Mr Stefan Olszowski, a member of the Politburo, travelled to Katowice, another hard-line centre, to counter the Warsaw Party meeting. He apparently defended the policies of the present leadership.

Clash over Danish plan for institution investment

BY HILARY BARNES IN COPENHAGEN

THE DANISH Social Democratic Government and the CVentral Bank have clashed over the Government's plans to make pension funds and life insurance companies invest money in agricultural and industry.

The Central Bank fears that if the plans are realised they *will cause a foreign exchange* crisis.

Earlier, the Central Bank had taken a softer line on the Government's plans, but it has now emerged that the Government failed to inform the bank as to what its plans really were.

The Government has also run into oposition from the financial institutions. The life insurance companies and the savings and commercial banks have said they cannot agree voluntarily to the Government's proposals. In their view the plans can only be carried out if changes are made in present legislation.

This could cause the minority Government renewed problems in winning agreement to its proposals from the three small parties which support its economic policy.

They have said they will back the Government's proposals if *it can negotiate a voluntary deal*

Nigeria plans import controls

By Quentin Peel in Lagos

THE Nigerian Government has drawn up a broad strategy of tough import controls, curbs on public spending, and increased foreign borrowing to counteract the drain on its foreign exchange reserves caused by this year's slump in oil production.

The reserves dropped by more than Naira 1.86bn (£1.54bn) between May and the end of September, according to provisional figures from the Nigerian central bank, from Naira 6.36bn (£5.26bn) to just under Naira 4.5bn (£3.75bn).

The decline reflects the dramatic drop in oil production at a time when imports were increasing. Oil production fell from more than 2m barrels a day (b/d) in January to little more than 700,000 b/d in August, although it has recovered to just over 1m b/d in September. The recovery is continuing this month.

Although accurate figures for merchandise imports and service payments are not available, Government officials admit that they are now running above the Naira 1.13bn (£934m) monthly average for the first five months of the year.

The decline in reserves is not as sharp as had been feared by the international banking community, possibly because of a recent inflow of capital, but the lag in oil payments means that the figures have yet to reflect the levels of oil production in August and September.

Moreover, the Government's policy package, to be announced by President Shehu Shagari in his forthcoming Budget, has been postponed from next week because of a dispute on the division of tax revenues between the central Government and the 19 state governments.

The Budget is now expected to be announced in the first week of November, and it is certain to contain new import controls, as well as seeking to delay lower priority items in the huge public sector capital spending programme based on Nigeria's Naira 80bn fourth Development Plan.

"We have been worried because the import figures have been rising quite substantially," Professor Emmanuel Edozien, the President's special adviser on economic affairs, told the Financial Times. "A number of policy measures will be announced to ensure that the rate of imports is diminished. We are going to find ways and means of stemming the outflow of foreign exchange, to make sure that the reserves position is maintained."

Prof Edozien said the Government's target was to reduce import payments in 1982 to less than Naira 1bn a month. He said there would be tighter control of imports of spare parts and raw materials, hitherto exempted from the rigorous pre-shipment inspection system which affects consumer goods and manufactures.

"We have clear evidence that this has been abused," he said. "There has been increased incidence of smuggling, and over-invoicing of goods to take money out of the country."

NIGERIAN EXTERNAL ASSETS
1981*
(including commercial banks)
(Naira m)

February	5,400
March	5,825
April	5,518
May	6,360
June	5,755
July	5,518
August	4,806
September	4,495

* month end
N1.00=£1.21
Source: Nigerian Central Bank (provisional).

Foreign Minister says 'bias for' British goods is to be removed

Malaysia denies boycott

BY DAVID DODWELL

MALAYSIA'S Foreign Minister yesterday denied that his country had plans to boycott British goods.

Contradicting reports from Kuala Lumpur, Tan Sri Ghazali Shafie said that plans to vet all planned Government purchases from British companies in the Prime Minister's office would be implemented. But the vetting procedure did not amount to a boycott of British goods, he said.

"The Prime Minister has never said there will be a boycott," the Foreign Minister said. Instead, the moves were intended to remove the "bias for" British goods."

The Minister said: "In the past, there has always been a "bias for" British goods. The Prime Minister just wants to take this away.

"If products are good enough, we will buy them, whatever the price and whoever they are from. If those goods are the best, we will buy. Malaysia has always been and will always remain, an open market.

"Now British companies will have to compete on a par with everyone else. The "bias for" has now been taken away, that is all."

The Foreign Minister's comments contrast with statements made by Malaysian officials over the past two weeks. But they were clearly made with full authority from Dr Mahathir Mohammad, the Malaysian Prime Minister.

Until now, the Prime Minister has refused to clarify confusion over the intentions of his vetting procedure. Government departments in Kuala Lumpur and the 13 State governments had been led to believe that the Prime Minister was not simply vetting planned purchases from British companies, but that his instructions implied a boycott of British goods.

This had also been the impression of the British High Commission and of British companies who have commercial links with Malaysia.

As part of the effort to restore goodwill, British businessmen announced in Kuala Lumpur yesterday that they intend donating £240,000 to a fund to help Malaysian students in Britain affected by high fees.

Such a donation has been under discussion for over a year, but the recent deterioration in trading relations was no doubt instrumental in the timing of the announcement.

Wong Sulong in Kuala Lumpur adds: Representatives of the British Malaysian Industry and Trade Association (BMITA), which represents the British business community in Malaysia, met Mr Alan White, the acting High Commissioner, on Tuesday to discuss the deterioration of commercial ties between the two countries.

In a statement issued yesterday, Mr Anthony Blumer, chairman of BMITA, said: "Deep and sincere concern was expressed over any loss of goodwill between Malaysia and the British business community."

Dr Mahathir . . . applying pressure

There is a strong feeling among businessmen that Dr Mahathir is putting on the pressure partly in response to an accumulation of Malaysian resentments over British business attitudes to Malaysia, and partly to exact trade and commercial concessions from Britain.

Senate warning to Reagan over budget-cut proposal

BY DAVID BUCHAN IN WASHINGTON

THE 1981-82 U.S. Budget deficit may rise at least $10bn above the $43.1bn (£23.8bn) limit which President Ronald Reagan wants to place on it in his effort to ease the upward pressure of Government borrowing on interest rates.

This is the grim import of a warning by senior Republicans in the Senate who may be able to deliver only one-third of the $16bn expenditure-cutting and revenue-raising plan proposed by Mr Reagan last month.

If that is the prospect in the Republican-controlled Senate, it may be doubly certain in the Democrat-dominated House.

As a stop-gap move, the Administration intends to prune spending on its own by telling Federal agencies to "defer" any spending for the next few weeks that runs above its budget targets. But this "deferral" tactic has met a cool reception on Capitol Hill.

Moderate Republicans in the House have threatened to join with Democrats to overturn the Reagan "deferrals" on the ground that this summer's $35bn spending cut was quite enough for one year and support for further reductions might unseat them at the 1982 Congressional election.

Senator Robert Dole, Republican chairman of the Finance Committee, yesterday virtually ruled out any consideration of the Reagan plan for a $3bn selective tax increase in 1981-82.

He warned that raising this issue would give the many Republicans as well as Democrats who are unhappy now about the enacted 10 per cent income tax cuts for 1982 and 1983 a chance to postpone or modify these reductions.

"I don't think anybody wants to pull that cat out of the bag because then you've got a tiger by the tail," the senator said.

Nor is there any inclination by Republican Senate leaders to tackle the $2.6bn extra welfare cuts requested by Mr Reagan.

This would require legal changes in the welfare "entitlement" programmes. Congress has already done this once this year, and evidently baulks at going through that hoop again.

What is left are the so-called discretionary programmes over which the appropriations committees have control.

Mr Reagan asked in September for an extra $10.4bn cut in this category for 1981-82—$2bn only in defence and the rest in domestic spending. Republican Senate leaders now believe they can give the President only half that.

Awacs flown to Libyan border

BY ANTHONY McDERMOTT IN CAIRO

TWO U.S. Awacs reconnaissance aircraft arrived in Egypt yesterday and went straight into operation—probably along the border with Libya. The Awacs were due to arrive at Cairo West airbase, 25 miles from the capital, where a small ceremony had been arranged by the Egyptian Air Force.

General Ahmed Nasr, the base Commander said the change in schedule was a "political decision."

Lt.-Gen. Abdel-Halim Abu Ghazala, Egypt's Defence Minister, was quoted in the local Press yesterday as saying that a State of Emergency had been declared on the Libyan border. He said that since President Anwar Sadat's assassination on October 6, Libya has mobilised some troops, but they had not yet been ordered to advance to the Egyptian border.

The swift despatch of these aircraft indicates how strongly Washington wants to affirm its commitment to the new President, Mr Hosni Mubarak. But their arrival also marks increased American involvement in regional tensions. According to officials here they will stay as long as Egypt requires them.

Their presence falls within the context of U.S.-Egyptian military co-operation, which will be reinforced next month by a repeat of last year's joint exercises in the Western Desert. The exercises will be called operation "Bright Star."

The Awacs will take part in the exercises along with troops from Sudan and Oman.

The arrival of the reconnaissance aircraft also reflects U.S. concern at the pressure being brought on Sudan's border by Libyan bombing raids. With a cruising endurance of about 11 hours, the Awacs will be able to monitor movements in parts of Sudan and Chad as well as on Libya's border.

Egypt has also agreed to give Sudan military assistance and Gen. Abu Ghazala said yesterday advisers and arms had already been sent.

The Awacs flew direct from Tinker base in Oklahoma and are due to be backed up by the arrival of a military transport plane with 50 Jewish technicians who will be responsible for maintenance.

In Cairo, President Mubarak yesterday swore in his Cabinet. It is unchanged with the single exception that Deputy Premier Fuad Mohieddin will stand in for the President in his absence as Prime Minister.

Mr Mubarak earlier had a meeting with Mr Ezer Weizman, the former Israeli Defence Minister who was a key negotiator of Israeli-Egyptian relations.

He said later that Mr Mubarak, "a practical, forceful and energetic man . . . leading Egypt the right way," had assured him that relations between the two countries would continue to be normal.

Israeli inflation rate rise

BY OUR TEL AVIV CORRESPONDENT

ISRAEL'S inflation resumed its upward climb yesterday after a lull induced by measures taken before the general election last June. For at least four months the consumer price index had shown modest increases by Israeli standards, as a result of the pre-election subsidies on basic foodstuffs and the reduction of taxation on consumer goods like colour television sets.

As a result, the projected annual inflation rate for 1981 came down well below 100 per cent, compared with 134 per cent for 1980. But the latest figures show prices in September rose by 5.1 per cent compared with a 3.9 per cent rise in August. This brought the annual inflation rate to just above 100 per cent.

Boosting the index were reduced subsidies on foodstuffs and increased tariffs for fuel, power, water, telephones and postal services. Experts believe inflation is likely to remain high in the coming months.

Senate delays vote on Saudi aircraft deal

By David Buchan in Washington

THE DECIDING vote by the full U.S. Senate on whether Saudi Arabia may buy Awacs radar aircraft has been postponed until sometime in the week starting October 26. This move, by Senator Howard Baker, the Republican Leader, was to give President Reagan more time to garner support for the controversial $8.5bn deal.

The Senate's armed services panel yesterday supported the arms sale by ten to five votes, while the Foreign Relations committee was due to make its recommendation later. The outcome there was less certain.

Only full floor votes are binding. With the House of Representatives voting on Wednesday by a nearly three-to-one margin against thesale, only majority approval by the full Senate can save the deal.

AP adds from Paris: Mr Caspar Weinberger, the U.S. Defence Secretary, said yesterday that France had assured him it would make no new arms agreements with Libya. He said French officials told him the Socialist Government will carry out commitments made by the Administration of former President Giscard d'Estaing.

Canada Indians to fight Trudeau on constitution

By Our Foreign Staff

REPRESENTATIVES of the indigenous Indians of western Canada want to carry their opposition to the proposals of Mr Pierre Trudeau, Prime Minister of Canada, for constitutional reform to the Judicial Committee of the Privy Council in London.

A memorandum to that effect has been handed to the department of Sir Michael Havers, British Attorney-General.

Miss Louise Mandell, lawyer for the Union of British Columbia chiefs, said in London yesterday that the memorandum was drawn up on behalf of Indians in the province, in Alberta, and in Manitoba, but that its views were shared by Indians living farther east.

Their case boils down to arguing that Mr Trudeau's constitutional plan would put the Canadian federal and provincial Governments into a position to override land rights assured to the Indians in a series of treaties concluded between the tribes and the British crown from the 18th to the 20th centuries.

Victor Mackie reports from Ottawa: Mr Trudeau yesterday agreed to delay by 10 days a proposed First Minister's conference on the Constitution.

The Prime Minister said he now expects the Premiers to meet him on October 26, 27 or 28, in a final attempt to reach a compromise over his proposal to repatriate the constitution from the UK.

New Budget 'this month'

BY VICTOR MACKIE IN OTTAWA

CANADA'S Prime Minister, Mr Pierre Trudeau, has assured the House of Commons that his Finance Minister, Mr Allan MacEachen, will bring in a new Budget before the end of this month.

Mr Trudeau gave the assurance to angry members of the opposition, who were protesting against the Government's "failure," after Parliament's three months' summer vacation, to introduce new measures to cope with Canada's slumping economy.

Vigorous protests were made over high interest rates and concern expressed that many Canadians were unable to meet their new mortgage rates and stood to lose their homes.

Khomeini regime's executions reach 2,000

BY TERRY POVEY IN TEHRAN

A FURTHER 69 executions has taken to over 2,000 the number of people who have been executed in Iran for opposition to Ayatollah Khomeini's fundamentalist regime during the last four months.

The wave of executions began on June 20, following a mass demonstration by the People's Mojahedin organisation in central Tehran. It has continued at the rate of almost 20 a day.

Two-thirds of those sent before firing squads were reported to be members of the Mojahedin which is leading the violent campaign to overthrow the regime.

Opposition circles have repeatedly claimed that there are many more unannounced executions over and above the figure of 2,053 reported in the Tehran Press. Independent confirmation of these figures has proved impossible, with access to prisons and trials being denied to international human rights organisations and the media.

Most of those executed have been charged with "armed uprising against God" and similar offences. In the same period a further 320 people were put before firing squads for non-political, mainly drug, offences.

Opposition guerrillas have almost totally destroyed a major regional television relay station serving 2.5m people in the first reported attack against the fundamentalist regime's State-controlled media.

The attack took place in the Northern province of Mazandaran which runs along the Caspian coast up to the Soviet border. Much of the area is thickly wooded and it has been an important centre for opposition activities since the Islamic revolution over two years ago. Three weeks ago guerrillas made a major assault on a revolutionary guard base in the same area.

CRACKDOWN ON SPENDING

Philadelphia's war on waste

BY DAVID LASCELLES IN PHILADELPHIA

"CLEAN UP" reads a huge banner strung across the front of City Hall in Philadelphia, the venerable East Coast city which President Ronald Reagan visited yesterday, and where he learned at first hand what his crackdown on Federal spending means at local level.

The banner is part of a big anti-litter drive. But it also highlights the tough line taken by the 18-month-old administration of Mayor William Green against the waste and corruption for which the city was notorious, and which has already brought the mayor into bitter confrontation with public employees.

Though a Democrat, Mr Green, 42, strongly supports the notion of fiscal responsibility.

After offending the policemen and the firemen with big spending cuts earlier this year, he is now embroiled with the schoolteachers over the Board of Education's plan to lay off about 3,500 employees and rescind a 10 per cent pay rise, in order to eliminate a budget deficit of over $200m (£111m).

Philadelphia's schools have not yet opened for the academic year, and striking teachers have defied a court order to return to work. The case has become extraordinarily complex and could end up costing the city millions of dollars, because the authorities are bound by law to have the schools open for a minimum 180 days a year, which would only be possible if they opened today.

But Mr Green is unyielding. "The message we have to get across is that this city must learn to live within its means," he said in an interview.

Mr Green, formerly a lawyer and U.S. Congressman, says he is willing to be a one-term "martyr" mayor if that it what it takes to impose the new regime on the city.

Mr Green's room for manoeuvre has been a little constrained by Mr Reagan's cuts in Federal aid and subsidies to local governments, though not as badly as in other cities.

The mayor estimates he will lose about 5 per cent of his budget, or a total of about $300m-400m over the next three or four years.

He was planning to use yesterday's visit to draw the President's attention to his problems. But he is broadly in favour of what Mr Reagan is trying to do, and he was not proposing to argue for deep policy changes.

The Green administration took power at a time when Philadelphia was struggling to extract itself from the decay and industrial backwardness that were the legacy of decades of complacency.

Like many cities with a rich history, Philadelphia found its past a mixed blessing. But rather than step in with big dollops of aid, Mr Green wants the initiative to come from business and local self-help, assisted by a benign and co-operative hand from City Hall.

South African tobacco workers sacked

BY BERNARD SIMON IN JOHANNESBURG

UNITED Tobacco Company, the South African subsidiary of British American Tobacco, yesterday sacked 25 black workers who refused to join a trade union which has signed a closed shop agreement with the company.

The incident comes on the heels of the South African Government's decision to maintain the legality of closed shop agreements, despite growing opposition among black workers to the system. The agreements have become a popular method among more conservative unions to bolster their influence.

The chairman of United Tobacco, Mr Enrique Rankin, said that the company had attempted to persuade the tobacco industry's industrial council to grant an exemption from the closed shop for the 25 workers.

Its request had been turned down, however, on the grounds that the agreement was binding between the uinon and employers and that union membership was thus compulsory for workers in the industry.

The union concerned is the African Tobacco Workers Union which is affiliated to the Trade Union Council of South Africa (Tucsa), one of the most conservative of South Africa's union groupings.

Meanwhile, the recent wave of strikes in South Africa has continued and the number of work stoppages this year is expected to exceed significantly the 207 reported in 1980.

Shocks ahead for Venezuelans nurtured on a life of ease

THE most expensive petrol in Caracas costs the equivalent of 9p per gallon, but a very reasonable grade can be had for 6p. The state oil company, Petroleos de Venezuela, reports gloomily that it loses $1.53 on every barrel it sells at home.

The price of petrol, almost everyone agrees, is ridiculous—even for a country which produces more than 2m barrels of oil a day. But the debate and manoeuvres on the subject illustrate the difficult political and economic decisions which today *face a country adjusting* to a lapse in the oil boom.

Caught by falling demand for oil and softening prices, Venezuelan oil production so far this year is down 4 per cent from an average last year of 2.17m barrels a day.

The Energy Ministry's expectation that international oil prices would rise 12 per cent this year now looks forlorn.

Sr Humberto Calderon Berti, the Energy Minister, has warned that Opec, of which Venezuela was a founder member, can look forward to nothing but difficult times, at least until well into next year. Oil accounts for all but a small fraction of Venezuela's exports and provides the state with 72 per cent of its income.

The need for belt-tightening is clearly indicated. The process of achieving it in a country which for decades has thought it could afford almost anything, and which since the 1973 oil price explosion has been indulging its most expensive dreams, is traumatic.

The debate over the domestic petrol price was cut short last month when President Luis Herrera Campins decreed that

Hugh O'Shaughnessy, recently in Caracas, reports on the austerity measures which falling demand for oil has forced on the Government of President Herrera Campins. However, forcing the Venezuelans to tighten their belts will be an herioc undertaking.

the price should not go up. He judged that the political damage that a rise would do his Copei Christian democratic party, and the gift it would give the social democratic opposition, Accion Democratica, were too great a price to pay.

He also judged that a petrol price rise would give a fillip to inflation. He dearly wants to pull inflation below last year's 24 per cent.

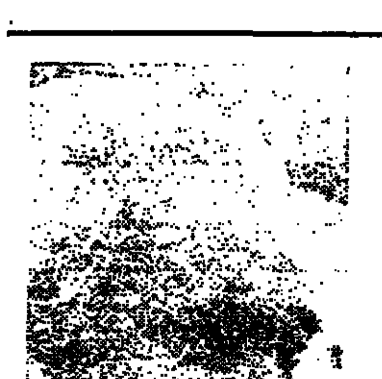
The Government was also smarting from the riots which accompanied decisions earlier this year to raise the cost of electricity and other public services.

The message that there must be austerity—or at least relative austerity—is taking a long time to sink in.

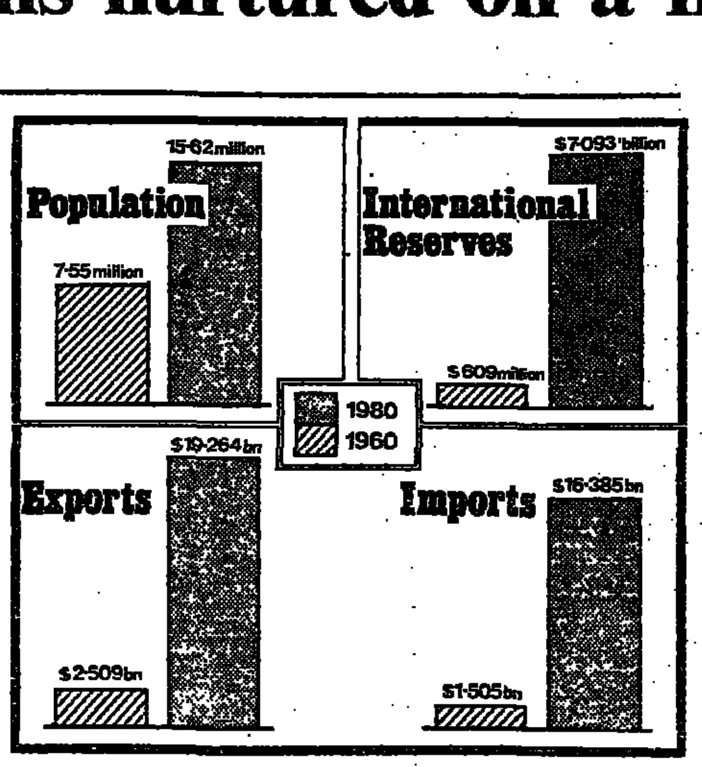
The first commercial oil well was sunk in Venezuela in 1914 and the industry mushroomed between then and the 1930s. Venezuela, which had in the 19th-century been an ill-regarded producer of cocoa, settled into a life of riches.

The country's vast resources were developed by foreign capital which absolved Venezuelans from most exertions.

In the two decades to 1980, Venezuela's *Gross Domestic* Product all but tripled in real terms to $62.6bn. The population doubled to 15.6m, exports went from $2.5bn to $19.3bn and imports shot up from $1.5bn to $16.4bn. The terms of trade, which in 1960 stood at 164 and fell to 100 in 1970, bounced up to 418 by the end of last year.



President Herrera Campins



But the industrial sector remained weak. Domestic costs made it unable to compete in international markets and the percentage of total exports made up by manufactured goods was last year only 1.6, the lowest figure recorded for any Latin American country.

It was little wonder, given Venezuelan wage rates and productivity indices. Employment in the public sector, including the nationalised industries, has gone up for political reasons from 350,000 in 1973 to 970,000 today.

The lavish life for richer Venezuelans is instanced by their insatiable thirst for Scotch whisky.

Imports of Scotch whisky in 1980 were up 50 per cent in value on the year before and represented the most valuable category of merchandise consigned by Britain to any market in Latin America, exceeding sales of British power generation equipment to the booming Mexican market, or of machine tools to industrialising Brazil.

That attitudes must change is nevertheless being pressed on the public at large. The grandiose 1981-85 national plan is having its budget of $170bn slashed by 20 per cent.

The foreword to the plan repeats a quotation from the inaugural *speech of President* Herrera in 1979: "Mine will be a Government of austerity, of fiscal discipline, which will seek to balance our books with the rest of the world. The people must know that the time of gay abandon in Government spending, of bottomless investments and hyper-consumerism is over. We have to return to more sober and commonsensical habits of life . . . ."

In recent weeks the Govern*ment has allowed interest rates* to rise in an attempt to stem the serious outflow of funds which earlier this year was draining $100m a day out of Venezuela into the banks of Switzerland and Miami.

President Herrera is plunging ahead with his plans to reduce subsidies on the prices of household essentials.

Private investment, which fell by nearly a quarter last year is still hesitant, and the likelihood is that the GNP will this year register a small decline for the second year running.

Newspapers reflect a wave of public revulsion against the massive corruption of Government in the 1970s. The trade union movement is reported to be convinced that it cannot continue to expect automatic wage rises without some increased productivity.

Nevertheless, Petróleos de Venezuela, led by the forceful General Rafael Alfonzo Ravard, is keen that its particular investment plans should not be upset. It points out that unless more oil is found and consumption at home curbed, Venezuela will have not oil at all to export by the end of the century.

Petróleos de Venezuela is desperate to develop the Orinoco Heavy Oil Belt which, at the cost of some £5bn of investment could be producting 1m b/d by the year 2000. The Orinoco region is estimated to have reserves greater than those of Saudi Arabia, though they are more difficult to extract.

Forcing the Venezuelans to tighten their belts is clearly a heroic undertaking. They do not yet believe that any patriotic citizen should have to pay more than 6p a gallon of petrol.

Russia 'would benefit from phasing out of flags of convenience'

BY ANDREW FISHER, SHIPPING CORRESPONDENT, IN HONG KONG

A STRONG warning that moves to phase out flags of convenience would benefit the heavily-subsidised Soviet fleet at the expense of other shipping countries came yesterday from a leading Hong Kong shipowner.

Mr Frank Chao, president of Wah Kwong, told a shipping conference in Hong Kong that the move within Unctad to try to end the use of such flags, also known as open registries, would destroy the efficiency of the shipping industry.

"Ultimately, a plethora of new 'cowboy' registers will emerge, operating outside any responsible code of regulations or legislation, let alone international agreement," he said.

Many shipping groups used open registries such as those of Liberia and Panama because they offer lower crewing and financial costs. Most of Wah Kwong's 4m deadweight ton fleet, the third largest in Hong Kong, sails under the Liberian flag.

A special Unctad meeting in June resolved that flags of convenience should be gradually eliminated, though further UN meetings and international discussions would be necessary for this to take place.

At the conference, organised by Lloyd's, Mr Chao said Unctad's resolution was a travesty of its original mandate. "The ironic consequences of implementation can only be greater economic hardship for developing countries, promotion of Soviet political ambitions and the creation of a number of totally undisciplined substitute open registries."

He said the Soviet Union had the most heavily subsidised fleet in the world. If flags of convenience are abolished, "the Soviet Union will gain because her fleet will become the only economic substitute to open registry fleets."

Asked how the Unctad process could be stopped, he said maritime nations could form a consensus under which open registry countries could form joint ventures with developing nations to form fleets.

"If this does not work," the only other weapon is for the maritime nations to boycott Unctad" so that the developing and eastern bloc countries had no platform for their views, he added.

Other Hong Kong owners, such as Sir Yue-Kong Pao, are also against moves to phase out flags of convenience. "We must keep the sea free—competition is very important," he said yesterday.

But if Unctad was successful, it would take over 10 years to phase them out, he said. Sir Yue-Kong, head of Worldwide Shipping with some 20m dwt in over 200 vessels, did not believe in a boycott of Unctad.

Developing countries should be persuaded that open registries were necessary and did not hinder their fleet growth.

Two airlines stop Tehran flights

By Terry Povey in Tehran

SAFETY WORRIES at Tehran's international airport, combined with payments difficulties, have persuaded two of the three foreign airlines serving Iran's capital to stop their flights.

As a result Swissair will, from November 2, be the only international airline, other than Iranair, flying to Tehran.

The resumption of scheduled flights by several international airlines in June and July was a major gain for Iran. All such flights stopped following the start of the Gulf War in September, 1980, and a decision to resume them implied acceptance of Iranian control over its northern airspace.

Of the four airlines that restarted flights, Air France halted its once-a-week service in mid-August after the deterioration in Franco-Iranian relations that followed the escape to Paris of Mr Abolhassan Bani Sadr, the fugitive President and the evacuation of most of the French community in Iran.

The remaining three carriers, Lufthansa of West Germany, Iberia of Spain and Swissair, held talks recently with the Iranian authorities on safety, all weather landings, air raid precautions and the right to make foreign currency transfers.

On the basis of these, Iberia stopped its flights two weeks ago and Lufthansa will halt its twice-a-week service as from November 1.

All international airlines *have experienced difficulties* in obtaining permission to transfer part of their ryal revenues from ticket sales abroad.

Ann Charters in Seoul reports on the difficulty of achieving government production goals

South Korea's shipyards may not meet ambitious targets

SOUTH KOREA'S shipbuilding industry, already a major world competitor for new ship orders and ranking second behind Japan last year, expects to be even more aggressive in future.

"But the industry's shipyard's with 4m tonnes of capacity, *may find it difficult* to achieve the Government's goal of $5.3bn (£2.7bn) in ship exports by 1986, if new orders do not pick up.

So far Korea's attractive pricing and early delivery have lined up customers not only for ships but for a wide range of associated products, ranging from drilling rigs and steel structures to plant facilities.

Both Hyundai Heavy Industries and Daewoo Shipbuilding and Heavy Machinery, which together account for over 75 per cent of Korea's shipbuilding capacity, actively pursue non-vessel orders to take up the slack caused by the continuing recession in shipbuilding.

Daewoo's order book in May stood at $510m. Over 50 per cent of its contracts were for offshore drilling rigs and industrial plants. Hyundai, in business since the early 1970s, has 30 per cent of its order book contracted for non-vessels.

The flexible use of a shipyard to produce goods other than ships is Daewoo's answer to the complicated future of shipbuilding in times of uncertain oil prices. Daewoo's Okpo shipyard on Koje Island off the southern coast of the Korean Peninsula will be inaugurated, complete with a 900 tonne Goliath crane and single 131 meter wide dry dock later this month.

The unconventional size of the dock is to accommodate offshore platforms which can reach 85 metres in width, twice the width of a large ship, as well as floating plants (which may measure 80m by 70m.

Okpo, the world's newest major shipyard, originally was expected to cost $425m. The real investment, however, should be up to $500m by next spring due to additional facilities under construction and accumulated interest payments. Only 30 per cent is paid-in capital with Daewoo's $80m slightly more than the state-owned Korean Development Bank's $64m equity in the yard.

The balance of the investment required came from direct loans from the Korean Government and $110m in foreign commercial loans and suppliers' credit. The shipyard is booked through April, 1983, but is looking for work to fill out this year.

'Plans for the industry include an expansion of 2m tonnes in capacity by 1986 to meet predicted rising domestic and export demand.'

President Hong described Daewoo's takeover of the unfinished Okpo shipyard in 1978 as motivated by patriotism, not profit. With the slump in shipbuilding particularly affecting new orders for tankers and bulk carriers which are easier for a new yard to build, Daewoo has teamed up with European technology to gain expertise quickly to produce more sophisticated ships.

Two chemical tankers, built for Norwegian owners, will be christened at the inauguration, and a licensing agreement with a French company was signed to acquire the technology necessary to build membrane-type LNG carriers.

By contracting out the design when necessary and chasing orders for more sophisticated ships such as chemical tankers, LNG and roll-on, roll-off ships, Daewoo hopes to reach $500m in turnover for 1983, a year in which the company would also like to see its first real profits. That goal may become more feasible if a moratorium on repayments of Government loans to Okpo goes into effect.

Hyundai Heavy Industries, a major world competitor in shipbuilding with one of the world's largest yards, has been showing a profit since 1979, according to Mr D. H. Kim, managing director. Last year the shipyard had a profit of $29.8m on sales of $864m. Since the shipyard started operations eight years ago, *it has built 139 ships* with a total gross tonnage of 3.4m valued at $2bn.

Located on Mipo Bay, near Ulsan on the south-eastern coast of Korea, the shipyard is part of the Hyundai Groups heavy industrial complex which includes a marine engine plant and the Mipo ship repair yard.

Work is under way on 19 vessels with several to be outfitted with Hyundai engines. Twenty per cent of the ship orders are for domestic owners. However, if the shipping market does not improve soon, a few foreign owners may request delayed delivery for several ships being built on a speculative basis.

Although Hyundai's shipyard is booked through mid-1983, the company may have to look harder for more non-vessel orders in the offshore field, building rigs, auxiliary facilities and offshore supply vessels to fill the order book later.

Contracts for more sophisticated vessels may be easier to land soon as Hyundai has recently signed technical licences with Gaz Transport and Technigas of France and McDonnell Douglas Corporation of the U.S. to produce LNG carriers.

Government plans for Korea's shipbuilding industry include an expansion of 2m tonnes in capacity by 1986 to meet what it predicts will be rising domestic and export demand.

Linked to Korea's maintaining competitiveness for ships will be increased capital subscription to Korea's Export-Import Bank to finance exports.

This year, ships valued at $700m will be exported on a deferred payment basis, but the Government expects that to rise to $3.1bn by 1986. Korea's exports of ships were $505m as of July.

If foreign orders fall off, the Government may opt to increase the Korean flag fleet at a faster rate and channel more work to the shipyards.

The Korean Shipbuilders' Association indicated that Government thinking calls for the fleet to reach 9.4m gross tonnes over the next five years, almost double the current fleet.

● Hyundai Construction has won a $369m Iraqi contract to build an expressway between Rutba and the Jordanian border, Reuter reports from Seoul. The project for the State Organisation for Roads and Bridges is due to be completed by September 1984. The Korean company is also negotiating with the State organisation of housing of Iraq for a $400m contract for building 2,800 housing units in Samara.

Hyundai shipyard in Ulsan, South Korea.

U.S. reluctant to end tax boost for exporters

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE U.S. YESTERDAY demonstrated its reluctance to dismantle a tax benefit system for exporters, thus signalling the likely failure of an attempt to resolve a nine-year dispute with Belgium, France and The Netherlands.

The system, called Disc, was introduced in 1972 to provide an incentive for small exporters. A company establishes a Domestic International Sales Corporation, transfers to it *funds earned by exporting, and defers tax liability*.

Mr William Brock, the Special Trade Representative, indicated that the U.S. would fight to retain the Disc system at a meeting of the Council of the General Agreement on Tariffs and Trade (Gatt) to be held early next month.

"The effect of our law is small. Some countries don't tax their exports at all. They'll have to prove injury, and I don't think they can," he said.

The Gatt meeting has been called in an effort to resolve a dispute with Belgium, France and The Netherlands. They complained about Disc in 1972, and in 1976 a Gatt disputes panel found that although Disc acted as an export subsidy and was, therefore, outside Gatt rules, the European countries also had systems of incentives which contravene the Gatt.

None of the parties has accepted the findings of the panel. This year there has been growing concern in the ruling council of Gatt about the political effects of a dispute which has been running for so long.

But, as the dispute affects the tax systems of the countries involved and is therefore of fundamental importance, there is little hope of a compromise emerging. Such a compromise would inevitably mean modifications to the tax systems.

'Crucial years' for steel

BY ALAN PIKE IN TORONTO

THE NEXT few years could be crucial for the future of the electric arc furnace steel making process, Dr Frank Fitzgerald, managing director technical of the British Steel Corporation told the International Iron and Steel Institute Conference in Toronto yesterday.

He said that experiments in injecting coal into basic oxygen furnaces to make steel from 100 per cent scrap, like electric arc furnaces, pointed to consistently lower product cost. If a coal-fired melter could be successfully developed, it would be a strong rival to the arc furnace.

"But the arc furnace route at first sight appears simpler and it is that relative simplicity, together with its relatively low capital cost and small economic size, which has led to its rapid growth."

Electric arc furnaces, which can operate on either scrap or directly reduced iron, have been used with particular effect in minimills in countries like Britain. The problem of high energy prces can to some extent be overcome by the substitution of oil or gas.

Hawker group sees rise in Japanese sales

By Charles Smith in Tokyo

THE HAWKER SIDDELEY group, whose sales to Japan amount to £6m out of worldwide exports of £300m, expects a "dramatic increase" in its Japanese business following a group exhibition held in Tokyo this week.

Staged at the British Export Marketing Centre, the show is the first ever to be mounted by a single exhibitor during the Centre's eight-year history. Hawker Siddeley spent an estimated £200,000 on mounting the display and dispatched 55 managers to Tokyo to man stands and deliver technical papers.

Its technical briefing sessions have been consistently over-subscribed and a group director said in an interview that the quality of the 1,500 or so visitors passing through the display appeared to be high.

Hawker Siddeley decided in 1977 to launch a long-term market development programme in Japan.

The Centre, opened in 1973 as part of a government-supported drive to increase British sales in Japan, is designed for industry-wide exhibitions, and the "exhibitor's package," which includes subsidised air fares, free transport of goods and free publicity, has never been made available for private exhibitions.

UK NEWS

Leap in private and state borrowing fuels money supply jump

BY DAVID MARSH

A SHARP RISE in bank lending to the private sector along with large-scale Government borrowing unmatched by funding were the *main influences behind the* seasonally adjusted 2.1 per cent jump in the sterling M3 money supply last month.

The Bank of England yesterday announced the rise—slightly more than the provisional indication of 2 per cent published last week — along with figures showing that bank lending to private borrowers jumped £1.20bn during the September banking month, only slightly lower than the rise of £1.47bn in August.

More than half last month's lending increase was accounted for by bill financing. "The change in the monetary control system in mid-August tended to encourage the growth of the bill market, and will have induced some switching from other forms of lending," the Bank said.

In addition, some companies appear to have taken advantage of lower rates on the bill market compared with money market interest rates to issue bills and deposit the proceeds at a profitable higher rate on the money market.

The rise in sterling M3 last month took the increase during the first seven months of the *present target period, which* started in February, to 19 per cent at an annual rate. This is roughly double the target of 6 to 10 per cent.

The surge in bank lending is somewhat surprising in view of the sluggish state of the economy. *In August, when com*panies were under pressure to pay tax bills to the Exchequer which had been held up by the Civil Servants' dispute, but last month the private sector benefited from large refunds of Value Added Tax

Money Supply % rises (seasonally adjusted)	September	Since Feb. annual rate	Last 12 months
M1	1.7	12.6	11.7
Sterling M3	2.1	19.0	16.6
M3	2.1	26.1	22.9
PSL 1	2.0	17.8	14.5
PSL 2	1.6	16.0	14.4

Source: Bank of England

The faster payouts of refunds compared with VAT collection last month increased central government borrowing by between £500m and £750m. This factor will lead to even greater distortions in the money supply figures for October, when refunds will push up Government borrowing by an extra £2bn.

The central government borrowing requirement last month climbed to £1.23bn against only £270m in August. Net purchases of central government debt by the non-bank private sector totalled £190m, most of it accounted for by National Savings.

During the month, unsettled gilt-edged market conditions all but halted the Government's *funding programme,* although it has resumed this month.

Depressing influences on sterling M3 came from external and foreign currency finance, which amounted to a large negative £700m. This reflected outflows of sterling from the *private sector during the* pound's weakness in September, including the effect of Bank of England intervention to support the exchange rate.

Unit trust sales steady despite fall in markets

BY TIM DICKSON

UNIT TRUST managers suffered only a slight sales setback during the September shake-out in world stock markets, according to new business figures published yesterday by the Unit Trust Association.

Total sales of new units last month amounted to £70.07m, compared with £80.39m in August and an average of £85m monthly so far in 1981.

Repurchases (units cashed in), however, increased from £36.05m in August (£37m on average each month so far in 1981) to £48.66m in September leaving net new investment last month of £21.41m—the lowest recorded in 1981.

Unit trust groups this year have enjoyed one of the biggest sales booms in their history with investors rushing, in the early part of the year at any rate, to put their money into overseas funds.

Sales in the first nine months of 1981 total more than £760m and net new investment at this stage is £420m—already comfortably above the highest previous net annual total.

In 1979 and 1980, by contrast, public interest in unit trusts was at a comparatively low ebb so that for example, the monthly average net new investment last year was only £8.96m.

After the traumas of September unit trust managers will therefore be pleased that the momentum built up this year has not been lost.

They will also be glad to note that the number of direct unit holdings, which until fairly recently had gradually been falling off, continued to increase during September. The unit trust industry now boasts 1.808m individual accounts.

One statistic, however, which tells a sorrier tale is the value of funds under management. At the end of August this stood at £6.132bn but by the end of September major falls in share prices had reduced the total to £5.385bn.

There has been a little more interest recently in the 29 gilt and gilt and fixed interest funds. Gross sales last month were £7.5m against £5.5m in August.

Siegfried Sassoon-owned cabinet fetches £14,000

A VICTORIAN ebony cabinet given by Siegfried Sassoon to his son George was sold by him at Christie's yesterday for £14,000. It last sold there in 1885, for 500 guineas. In the same sale of 19th-century furniture Colnaghi paid £8,500 for a Florentine cabinet in the Renaissance style and the Fine Art Society £6,000 for a stalinwood side-cabinet by Wright and Mansfield, made in about 1875.

Among the sculpture Fairburn, a U.S. dealer, acquired a late-19th century Anglo-French terracotta maquette of a mother and child by Aime Jules Dalou for £5,500. An early 20th-century bronze group of Victory leading St George, after Sir Alfred Gilbert, also fetched £5,500.

SALEROOM

BY ANTONY THORNCROFT

A rugs and carpets sale at Christie's fetched a total £230,480, just 12 per cent being bought in. A Mogul rug of the mid-18th century, 6 ft 2 ins by 4 ft 3 ins, at £50,000, fetched more than double its forecast.

Christie's yesterday sold some contents of Stoneleigh Abbey, Warwickshire. Mallett paid £16,000 for a suite of Chinese printed-paper panels supplied to the house in 1764. A large George III ormolu hall-lantern fetched £14,000.

Small oil companies suggest tax changes

By Martin Dickson, Energy Correspondent

PLANS FOR a major restructuring of North Sea taxation and a modest reduction in the rate of tax were put forward yesterday by an association of 38 small, independent British oil companies.

In a 30-page submission to the Government, the Association of British Independent Oil Exploration Companies (Brindex) called for the abolition of supplementary petroleum duty (SPD), better tax relief for exploration, a more equitable method of tax collection and measures to encourage the development of marginal and "satellite" oil fields.

The proposals are Brindex's submission to a Government review of North Sea taxation. Sir Geoffrey Howe, the Chancellor, challenged the oil industry to put forward an alternative tax structure last March when he introduced SPD—a tax intensely disliked by companies.

A second set of proposals—yet to be revealed publicly—was submitted to the Government yesterday by the more influential United Kingdom Offshore Operators Association (UKOOA), which includes the large multinationals working in the North Sea.

Brindex officials said yesterday they believed the two submissions to be broadly similar.

The Brindex document says that SDP—a tax on gross revenues from oil production—hits low profitability fields most severely, *adversely* affecting exploration and development. Cash flow, which is of major importance to the liquidity of the smaller companies, is "severely curtailed."

Brindex says the combined effect of SDP and Petroleum Revenue Tax has been to change the whole emphasis of the tax system from profits to production, and from the company to the field as the taxable unit. Corporation Tax now represents only about 10 per cent of the tax take.

It advocates a restructuring of the system which would involve the abolition of SDP and a return to Corporation Tax as the main element.

The main beneficiaries would be companies with heavy exploration and development programmes but perhaps only a small interest in producing fields.

The Government would be compensated for the abolition of SDP by a revised tax collection system which would incorporate advance payment of PRT and Corporation Tax liabilities.

The plan calls for satellite fields—small accumulations of oil near large, developed ones—to be given more favourable PRT treatment. Other suggested concessions for economically marginal fields include increased allowances and sliding scale royalties.

The various proposals being submitted by the industry will be considered by the Treasury before next year's Budget.

Seven major U.S. oil companies which had considered submitting their own proposals appear to have abandoned the move. The seven are expected to write to the Chancellor saying they will not be presenting an alternative to UKOOA's proposals.

Shipyard share sales may be delayed

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE CABINET is likely soon to abandon its plans to introduce legislation this winter to enable shares in shipyards to be sold to the private sector.

Former naval shipyard owners in the private sector have been lobbying hard recently for the legislation to go ahead. But they are likely to lose their case. The Parliamentary timetable is already *overcrowded for the coming* year and there has been a sharp decline in the financial prospects of the state-owned yards.

Mr Patrick Jenkin, Industry Secretary, is however, expected to try to reassure the industrialists involved that the Government still intends to legislate before the next General Election, in line with its election manifesto.

His predecessor, Sir Keith Joseph, wanted to legislate last year and only reluctantly agreed not to go ahead in the face of strong pressure from British Shipbuilders which argued that the stability of the industry would be upset.

But a short Bill will be introduced in the next Parliamentary sessionto raise British Ship*builders' borrowing limits from* a £500m-£600m range to about £900m.

The corporation's total borrowings so far are believed to approach £400m. This would leave insufficient headroom to meet sudden short-term fluctuations in borrowings in about a year's time, so the limit has to be raised.

Ministers had intended to use the Bill to introduce enabling powers for parts of British Shipbuilders to be privatised, along the lines provided in last year's Iron and Steel Bill for the British Steel Corporation.

British Shipbuilders' statutory duty to build ships would be changed and the Government would gain powers to issue directions on mergers or other changes of ownership.

The private sector would then be invited to invest in shipyards—either individually or in groups of yards. Naval shipyards originally seemed the most likely candidates for sale because they were profitable; in which case the Government would have maintained partial ownership for national security reasons. But naval yards' financial prospects have been hit hard by the Government's recent defence review.

Despite this, the former owners still want legislation on the statute book and Ministers drew up plans at the end of the summer to press ahead with it in order to go as far as possible down their manifesto road. But the Bill would have been highly controversial and could have taken up a lot of Parliamentary time.

As it would be unlikely to lead to the injection of private cash into the yards within the next year or so, Ministers are now expected to drop it to make way for the Department of Environment's legislation on rates.

Robb Caledon transfer may ease dispute

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE Robb Caledon shipyard, in Dundee — which lies at the heart of the campaign of one-day strikes and overtimes bans at British Shipbuilders — is almost certain to be transferred from BS to the Scottish Development Agency, then rented to a private company, Kestrel Marine.

The move may ease the dispute at BS, now nearing the end of its third week. The strike call has been obeyed by all yards except the Vickers yard in Barrow. It has disrupted ship repair orders and caused some 700 layoffs in the ship repair division.

The application from BS to transfer the lease of the 21-acre site to the SDA will be heard today at the monthly meeting of the Dundee Ports Authority, which holds the lease.

Talks will then continue between BS, the SDA and Kestrel Marine on the terms under which Kestrel would take over the yard. Robb Caledon is currently occupied by the remaining 140 of its workforce, who have refused to allow its closure.

The shipbuilding negotiating committee of the Confederation of Shipbuilding and Engineering Unions has backed the yard's fight against compulsory redundancies—the first BS has attempted to declare in nearly three years—the committee has made it clear that it will not accept a cut in the workforce if Kestrel Marine takes over the yard. In previous discussions Kestrel gave no guarantees that it would take on all the remaining workforce at the yard. The yard adjoins Kestrel Marine and is expected to be developed for oil platform work.

Discussions are continuing between Kestrel, the SDA and the Scottish Office on the level of grants and other aid which the company could receive from the Government.

Mr Alan Marsh, managing director of Kestrel Marine, said last night that the company would make no comment on the matter until all negotiations had been completed, which would probably be next week.

GEC to close two plants with loss of 900 jobs

BY JASON CRISP

GENERAL ELECTRIC COMPANY (GEC) is to close two of its eight telephone equipment factories with the loss of more than 900 jobs.

GEC Telecommunications will close its factory in Treforest, mid-Glamorgan, with the loss of just under 300 jobs and its factory at Middlesbrough with the loss of 630 jobs. Both factories make electro-mechanical equipment, which is rapidly being replaced by more modern electronic equipment.

GEC blames the effects of the recession, the higher telephone charges made by British Telecom and *government* restrictions on British Telecom's borrowing for the reduction in orders which caused the factory closures.

GEC Telecommunications is also making 250 of its 2,000 installation workforce redundant. The Middlesbrough factory mainly makes Strowger electro-mechanical equipment both for PABXs and main exchanges.

The Treforest factory makes TXE2 main exchanges and an electro-mechanical exchange with computer control. GEC said British Telecom's requirements to 1983 for these systems had declined dramatically, although this had been offset by orders for newer equipment including TXE4, TXE4A, and System X exchanges, which require less labour.

In the late 1970s there were substantial job losses in the telecommunications industry following cuts in Post Office orders. Plessey made 4,000 redundant and Standard Telephones and Cables withdrew from making Strowger equipment.

White collar workers at GEC Telecommunications' largest factory in Coventry, employing 10,000, voted yesterday for a ban on overtime working after hearing the news of the planned closures.

The employees in Middlesbrough are expected to lose their jobs in June or July and at Treforest in February or March.

Charterer loses appeal in Panama cargo case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A SHIP was not unseaworthy by virtue of the fact that she had to be lightened before being allowed to pass through the Panama Canal, the Court of Appeal ruled yesterday.

Nor was the period of delay caused by the need to discharge and then re-load part of the cargo, an off-hire period in which the charterer was not liable to pay hire, said the court.

An appeal by the Japanese charterer, The Sanko Steamship Company, against decisions by an arbitration umpire and the Commercial Court that the vessel, the Aquacharm was on hire throughout and was seaworthy, was dismissed.

A cross-appeal by the owner, Actis Company, against a finding that the charterer was not liable to pay the $71,740 (£38,716) cost of transshipment, was also dismissed.

The Aquacharm was carrying 43,000 tons of coal from Baltimore to Japan. The Panama draught exceeded that permitted Canal Company said that her for the canal and 636 tons of coal had to be off-loaded into another vessel for carriage through the canal.

The consequent delay amounted to nearly nine days, the hire for which was $86,344.

Lord Justice Griffiths said that the charterer refused to pay, relying on the phrase "any other cause preventing the full working of the vessel" in the off-hire clause of the charter party, as establishing that the vessel was off-hire throughout the delay.

That argument failed, said the judge, because the lightening of the vessel did not affect her efficiency and she remained capable of "full working."

Alternatively the charterer claimed the delay cost as damages, on the ground that the owner had not ensured that the Aquacharm was seaworthy, in the sense of being able to carry her cargo safely to its destination.

Approval soon for National Freight buy-out

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE GOVERNMENT is expected to give the go-ahead next week for the staff and management of the state-owned National Freight Company to buy the company for £52m. This would be the first 100 per cent de-nationalisation of a state holding company since the Government was elected two years ago.

The Government will announce next week a public offer of shares in 49.9 per cent of Cable and Wireless, the State telecommunications group. The aim is to raise £150m from sale of shares.

The proposal to buy out National Freight, the largest road transport group, came from its management in June.

It was the biggest move by management and staff of any company in Britain to buy their own company, and the first time that a nationalised industry has been the subject of a proposed buy-out.

This followed the 1980 Transport Act, which set the former National Freight Corporation up as a company, ready for sale of shares "to the general public" as required under the Conservative Party's election manifesto in May 1979.

National Freight submitted its final proposals to buy the company to Mr David Howell, the Transport Secretary, this month. Analysis of the proposals by civil servants and legal and financial advisers was "nearing completion," the Transport Department said last night.

Negotiations are continuing between Schroeders, financial advisers to the Transport Department, and Barclays Merchant Bank, financial advisers to the Freight Company, which has put together a financial package to enable the 26,000 staff to be given the chance to buy shares.

The prospectus is expected to be published by the end of November, the company said yesterday.

The final proposals are understood to be similar to those initially proposed by Mr Peter Thompson, chief executive and deputy chairman of National Freight, in June, calling for the staff to raise £5m-£6m toward purchase of the £68m assets of the company, as valued at the end of September last year.

Mr Thompson expected the balance from a "mixture of equity and loan capital." Control would remain "firmly with the employees."

Liberals, SDP outline plan to aid small businesses

BY ELINOR GOODMAN

THE LIBERALS and the Social Democrats outlined a set of *proposals last night for helping* small businesses, specially timed for the Croydon North-West by-election, where they hope that disillusionment among small businessmen may result in Tory voters switching to the Liberals.

In a joint policy document the two parties called for positive discrimination in favour of small businesses; special "start-up" packages for small companies in the form of help from new local "enterprise agencies"; and setting-up of a co-operative development bank.

It backed changes in the taxation system and proposals for reducing the administrative burden on small companies, long favoured by the small business lobby, and urged the Government to drop its plan to make employers responsible for sick pay.

The document, launched last night in Croydon by Sir Leslie Murphy, former chairman of the National Enterprise Board, is the second instance of Liberals and Social Democrats working together on detailed policies.

The alliance envisages a greater role for local authorities in helping new businesses. It says that councils *should act as* a "lender of last resort," and that when banks refused to help, Councils should sometimes take an equity share in new businesses. Councils should provide loans and grants to support "start-up" packages.

The parties backed the idea of positive voluntary discrimination in favour of small businesses. Guidelines should be laid down making clear that government departments would make at least 20 per cent of their purchases from small suppliers.

The alliance, which put on figure in the document of how much the proposals would cost, reiterated its demand for reduc*tion in the national insurance* surcharge and in corporation tax paid on the first £25,000 of profit.

The document, containing some long-held Liberal policies, calls for more encouragement of the co-operative movement. With the idea of a co-operative development bank, it calls for expansion of the Co-operative Development Agency set up by the last Labour Government.

Croydon North-West has an above-average number of small businesses. The Liberals, with the support of the SDP, hope to woo some self-employed voters away from the Tories.

Yesterday the campaign was dominated by events at the Tory conference in Blackpool. With four days to go before he sets foot in Croydon, Mr Edward Heath become a central figure in the campaign as Liberals and Labour moved their heavyweights in.

Both Mr James Callaghan, the former Labour Leader, and Mr Roy Jenkins, the member of the SDP leadership presiding at yesterday's Liberal Press conference, claimed that Mr Heath was moving closer to their way of thinking.

Mrs Shirley Williams said that there was little difference between the proposals for reducing unemployment put forward by Sir Ian Gilmour, the sacked Tory Minister, on Wednesday and those put by Mr Jenkins at Warrington.

Mr Callaghan said he was sure that Mr Heath shared his own view that unemployment was a "moral problem" as well as an economic one.

Alliance 'bargaining hard' over candidate for Crosby

BY IAN HAMILTON FAZEY

CROSBY SDP leaders have invited Mrs Shirley Williams to an adoption meeting next Monday night when support for her candidacy in the constituency's parliamentary byelection is expected to be overwhelming.

The constituency's Liberals, however, have yet to agree to Mrs Williams as the candidate for the Liberal-SDP alliance. They will meet on Sunday to discuss the position of their own candidate, local police prosecuting solicitor Mr Tony Hill, who has yet to withdraw formally.

Mrs Williams met SDP supporters on Wednesday night and then went on for several hours of talks with the Liberals' executive. These discussions have been officially described as "informal," but it is understood that some hard bargaining is under way between the parties.

The Liberals' position is one *of considerable strength, since* their ace card is the neighbouring Liverpool Liberal political machine. This could flood the streets with thousands of workers as the by-election progresses. Significantly, Sir Trevor Jones, the Liberal leader of Liverpool City Council, was invited to the executive's talks with Mrs. Williams.

At issue may be the division of candidates between the parties at future local government and national elections. Locally, Liverpool is already in Liberal hands and party *organisation is strong through*out Merseyside.

The SDP is therefore seen in some quarters as trying to use the alliance to freeload. Leaving Liverpool and other Merseyside areas to the Liberals may be the price the SDP has to pay for securing support for Mrs Williams as Crosby's alliance candidate.

The timing of the by-election is expected to depend on the fate of the alliance in Croydon. If Mr Bill Pitt wins or does well while losing, SDP leaders are expecting the Government to delay issuing a writ for Crosby for as long as possible. Some local Conservatives are already talking about the by-election not taking place until next March.

However, failure to issue the write before Christmas could see the by-election forced on the Government in late January. This is because Mr Jeff Rooker, the Labour MP for Birmingham Perry Barr, is likely to exercise a backbencher's right to petition the Speaker to call the by-election by issuing a write in the Christmas recess.

Mr Rooker threatened to use the procedure this summer to get the Croydon by-election called in the middle of the Labour Party conference, but did not proceed. This did not proceed. However, he is unlikely to be deterred this time.

Managers income down in real terms

By Arnold Kransdorff

BRITISH managers' disposable income has dropped in real terms for the first time in four years, according to the latest top salary survey by the Inbucon management consultant group.

Their average take home pay of £11,053—after tax but before social security deductions—rose by just over a full percentage point less than the 10.9 per cent inflation rate for the 12 months to July 1 1981.

The figures are calculated for a married man with two children and do not take into account adjustments such as mortgage relief.

The latest figures come from 7,500 executives in more than 600 companies over a wide range of manufacturing industry. They cover a period when unemployment among managerial and professional staff almost doubled to nearly 200,000.

In spite of this latest setback, a four-year view shows that managers generally are still well ahead of inflation—and that their fringe benefits such as the company car and free medical insurance are on the increase.

Caution over rules to tighten takeovers

THE Council for the Securities Industry is proceeding cautiously over proposals to tighten the rules for rapid takeover *bids*.

A special sub-committee has been considering revising the existing rules which govern market raids and sub*stantial share acquisitions.* But it will meet at least once more before presenting its recommendations to the full council.

New weighing range to come from Avery

W. AND T. AVERY, Britain's largest weighing-machine company, which was taken over in November 1979 by General Electric, is to launch a range of microchip based weighing products over the next 12 months.

The new machines, clearly designed to meet the challenge of imported products from the Far East, will be launched at the rate of one a month over the coming year.

Coal prices to rise from November 1

THE PRICE of coal will rise by between 5.5 per cent and 8.5 per cent on November 1, the National Coal Board confirmed yesterday.

November 1 is the day the NCB has to meet a new pay agreement under negotiation with the miners.

New chief scientist for the Think Tank

A NEW chief scientist to the Government with wider powers than his predecessor, including a major role in nuclear advice, was announced yesterday.

Dr Robin Nicholson, 47, managing director of Inco Europe, becomes chief scientist to the Central Policy Review Staff—the Think Tank—in the Cabinet Office from November 3.

The post has been vacant since Dr John Ashworth left at the end of August to become vice-chancellor of Salford University.

But whereas Dr Ashworth held under-secretary rank, the post has now been upgraded to deputy secretary, at a salary of £26,215 a year.

Laker loans may be rescheduled

SIR FREDDIE LAKER'S request for the rescheduling of $293m of aircraft finance loans through a North American syndicate led by Eximbank was still being considered last night in Washington even though the payment of $12.6m of principal falls due today.

Eximbank said a number of options were being considered including a partial rescheduling of the debt, used to help purchase five McDonnell Douglas DC-10s. The repayment which falls due *today* has already been deferred from September 15 to provide more time for discussions. The loan may now be deferred another 30 days.

BR chief moves up again at Rockware

SIR PETER PARKER, the chairman of British Rail, has been made deputy-chairman of the Rockware group, which he chaired before joining BR five years ago.

Midland reduces its mortgage rate to 15%

MIDLAND BANK has fallen in line with the other big clearing banks and introduced its own house mortgage rate. Its home loans had previously been linked to base rates and following the recent sharp upturn in interest rates, Midland's home loan rates have been markedly out of line with those of competitors. The new home loan rate is 15 per cent.

Grundig seeks British partner in bid to tap home video market

BY ELAINE WILLIAMS

GRUNDIG, the West German electronics group, is seeking a British partner for the manufacture of video cassette recorders in the UK.

At present, all video recorders in the UK are imported from the Continent and Japan.

Three companies are negotiating with Grundig about possible investment in a UK factory, which could be operating in less than two years.

Initially, it is intended that the factory will assemble parts imported from Grundig's VCR plant in West Germany. However, Mr André Baumes, Grundig International's managing director, said he hoped the UK factory would be capable of home manufacture within two to three years of operation.

Mr Baumes said production of VCRs would need to reach around 600,000 units a year to take advantage of automation and economies of scale, and there would be opportunities to export to other parts of Europe.

Grundig hopes to secure a firm commitment from one of the three companies before the end of the year. Mr Baumes would not reveal the names of the companies involved, but it is believed that two own VCR rental outlets, and at least one is a major electronics group.

In the 18 months since Grundig and its partner, Philips, the Dutch electronics group, introduced the V2000 video cassette system to compete with Japanese systems developed by JVC and Sony, Grundig alone has captured 25 per cent of the West German market. By the end of the year, according to Grundig, total sales of the V2000 system, under Grundig and Philips brand names, will win 50 per cent of that market.

The UK market, worth around £180m this year, is now the largest in Europe. Philips and Grundig aim to take 25 per cent of this market by 1982, rising to 50 per cent within two years. At present, the VHS system developed by JVC is the UK market leader.

The rapid growth of the UK market is through the large rental networks. About 70 per cent of all VCRs are rented in the UK, compared with only 10 per cent in West Germany.

New computer from ICL

BY JASON CRISP

ICL, Britain's troubled computer company has taken another step forward in its recovery plan with the launch of a range of very small computers which it hopes will generate £1bn sales over five years.

The system, the DRS 20, costs between £5,000 and £15,000. It's smaller than the System 25 computer recently launched by ICL, but larger than the small personal computers sold by Commodore, Apple and Tandy. ICL says one important feature is its ability to communicate with similar systems or to be linked to large mainframe computers, including IBM equipment.

The move breaks new ground for ICL and has been promoted by Mr Robb Wilmot, the managing director appointed this summer to rescue the ailing company.

ICL is setting up a network of local sales centres and trade outlets in Britain and abroad and is negotiating with a number of distributors, systems and software houses and computer bureaux.

The DRS 20 will also be sold direct to large companies.

Treasury defends end of exchange controls

By David Marsh

THE ending of exchange controls in October 1979 has lowered the sterling exchange rate over the last two years compared with what it would have been, and has also made financial markets more efficient, the Treasury said yesterday. It indicated that the large capital outflows sparked off by the move over the past 12 months were unlikely to continue.

In an article in its monthly Economic Progress Report, the Treasury said the temporary effect of the ending of controls had been to spark off a large once-and-for-all increase in the stock of UK residents' overseas assets as investors made up for low levels of overseas investments in the past.

The continuing effect arising from a steady higher flow of new savings being invested abroad was likely to be "much smaller."

The ending of controls has had a particularly large effect on overseas portfolio investment. The scale of overall capital outflows caused by the move has probably been higher this year, as foreign interest rates rose and the dollar strengthened, than it was in 1980 when sterling was in heavy demand.

Portfolio investment abroad rose to £2.47bn in the first half of 1981 from £848m and £2.11bn respectively in the first and second halves of 1980.

Many financial institutions, said the article, preferred to build up their foreign assets by initially investing abroad a higher proportion of their new savings, rather than by selling off domestic assets.

"The early impact of abolishing controls on capital flows is unlikely to be a good guide to the flows of overseas investment that will continue in the longer term," the article concludes.

Durex maker may face new curbs on prices

David Churchill reports on the forthcoming Monopolies and Mergers Commission inquiry

PRICES OF contraceptive sheaths are to be investigated by the Monopolies and Mergers Commission over the next six months to determine whether new price controls should be imposed on the industry.

The investigation will basically cover the sale of Durex contraceptive sheaths by LRC Products, a subsidiary of LRC International, which has about 90 per cent of the £16m-a-year market for contraceptive sheaths.

The probe is only expected to take about six months, since the commission investigated the market in 1975. At that time, it concluded that LRC was abusing its monopoly position in the market.

The commission called for a 40 per cent cut in sheath prices and a lower rate of return on capital, and recommended that any future price rises should have the prior approval of the Office of Fair Trading.

Although LRC has agreed since 1975 to seek prior approval from the OFT for its price rises, it has recently sought to be released from this undertaking. This request coincided with an application to raise prices by just over 10 per cent—and by a third for vending machine sales—following a 13 per cent price rise last October. LRC is also understood to have challenged the OFT's calculation of the company's rate of return on capital.

LRC argues that it needs the higher prices to help finance new plant investment at its Chingford factory in Essex. However, the OFT is understood to be concerned at the rising level of LRC's profits from sheaths over the past year.

In addition, there is concern that profits from the company's monopoly position in the sheath market may be used to subsidise other LRC consumer products in far more competitive markets.

LRC International's pre-tax profits in the last full financial year to end March were £7.03m compared with £6.21m in the previous year. However, trading profits in the year, before interest charges, were £10.03m, compared with £8.94m. Nearly half these profits came from the LRC Products division, which includes Durex sales.

Contraceptive sheath sales in the UK have always earned higher than normal profit margins because of the very nature of the product. As the commission pointed out in its last report, the market has "certain peculiar features" about it.

"The product could not be openly advertised or promoted. The rather furtive nature of the trade helped to make possible the charging of prices which bore little or no relation to cost. The practice developed of offering retailers very high margins as an inducement to handle the product, the commission said.

The Boots company, for example, did not sell sheaths until 1965 because the company thought it might reflect adversely on its image and cause embarrassment to the mainly female counter staff.

LRC, formerly known as the London Rubber Company, established its market dominance largely through its own initiative and enterprise, according to the 1975 commission report.

However, the report also drew attention to the high distributive margins for sheaths, which varied from 100 per cent to 208 per cent on the buying price in the mid-1970s.

While accepting that high margins might have been necessary to induce retailers to stock a product about which there was still some embarrassment, the commission believed it unreasonable for the public to pay for margins which made the retail price as much as three times the manufacturer's selling price.

LRC is now the only UK manufacturer of sheath contraceptives with about 90 per cent of the market, which is valued by LRC at £16m. The rest of the market comprises imports.

However, entry into the market—one of the keys to a competitive industry — is severely limited by a number of factors. New competitors are restricted from advertising their contraceptives on television and other forms of media, and there are restrictions on the siting of vending machines.

Moreover, LRC is in a strong marketing position because of its 66-year history in the industry an dthe economies of scale associated with selling, and distributing a range of consumer products to chemists and other retailers.

Yet LRC does face competition from other forms of contraception. The development of the Pill has been the major challenge and the volume of sheath sales has fallen sharply since 1973.

The Family Planning Association estimates that about 3.1m women use the Pill, compared with some 2.7m whose partners use the sheath. Usage of the Pill was higher in the mid-1970s, but a number of reports pointing out possible side-effects has reduced its use.

In 1980, moreover, sales of Durex increased in volume by 11 per cent, helped by the launch of new products such as "Nuform Extra Safe," which is claimed to be the only sheath to incorporate a spermicidal lubricant. Nuform costs 53p for a pack of three.

The OFT's decision to refer the supply of sheaths to the commission again is an attempt to find out whether any factors have changed since the previous controls were imposed.

"Where a company's prices are subject to control, it is important that the criteria against which they are to be judged should be up-to-date," points out Mr Gordon Borrie, the Director General of Fair Trading.

● The investigation into contraceptive sheaths is being made under the 1973 Fair Trading Act.

MP refers Snowdonia planning row to Ombudsman

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Office planning permission for the Snowdonia property development, which was at the centre of the Denis Thatcher letter row, is being referred to the Parliamentary Commissioner (Ombudsman) by Mr Dafydd Elis Thomas, the local Plaid Cymru MP.

Mr Thomas says the August decision of Mr Nicholas Edwards, the Welsh Secretary, to grant IDC planning permission for a motel and 63 houses at Harlech, against the wishes of the local planning authorities, is totally inconsistent with a Welsh Office decision in 1978, refusing a two-house development in the town.

Mr Thatcher, in his capacity as consultant to IDC, a Stratford on Avon-based property company, wrote to Mr Edwards last December to complain over delays in the planning appeal. A copy of the letter was later leaked from Welsh Office files.

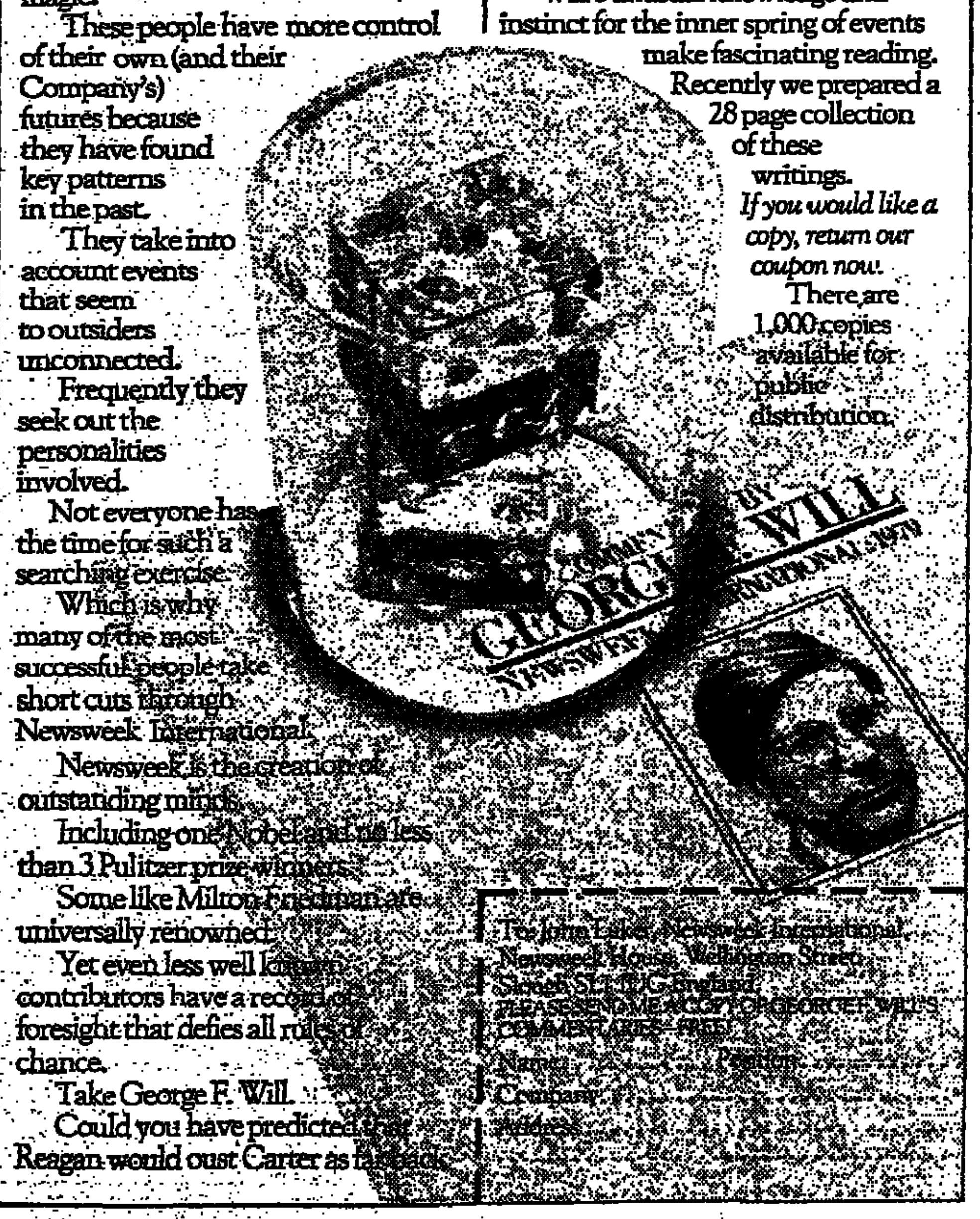
Permission for the two-house development was first sought in 1974, but refused on the grounds of access. Road access was later improved and in 1976, another development nearby was allowed to go ahead. However, an appeal against the refusal for the original two-house development was still turned down by a Welsh Office inspector, Mr E M Roberts, on March 14, 1978.

In a letter to the developer, Mr W. D. Michael, he said: "Unfortunately I have to say that I am unable to meet your request because there are changed circumstances; in the meantime, in 1977, the Secretary of State for Wales approved the County Structure plan for Gwynedd in which it is stated, as a matter of policy, that where the growth of second homes is causing concern, new housing development will be limited to providing for proven local needs.

I have noticed that it would be your intention to provide accommodation for members of your family but from the information at present before me there is insufficient evidence of a proven local need for the proposed two dwellings."

Mr Thomas said this ruling summarised precisely the objections made by Gwynedd County Council to IDC's development. It was one of three cases where planning permission had been refused because of criteria laid down in Gwynedd's structure plan.

"It appears there is one law for outside developers with powerful friends in influential places and another law for people who actually live in Harlech," Mr Thomas added.



Tebbit hints union legislation will curb militants

BY IVOR OWEN

A BROAD HINT that the new trade union legislation to be announced next month will *make it more difficult for militants* to employ wrecking tactics, was given by Mr Norman Tebbit, the Employment Secretary, when he wound up a debate on industrial relations.

He refused to go into details, but drew on his earlier experience as a negotiator for the British Air Line Pilots Association to indicate his objective.

Mr Tebbit, who won a standing ovation, insisted that the Bill would not be a union-bashing measure.

He added: "Nothing in it would have impaired my work in the past as a trade unionist seeking to improve the lot of my fellows by improving our ability to create wealth and prosperity for our employers."

Mr Tebbit took every opportunity to underline his full support for the policies and political philosophy of the Prime Minister.

"There may be some other way, but we have no intention of taking it," he declared to cheers.

He also closely aligned himself with Mrs Thatcher's views on the positive attitude which the unemployed should adopt in seeking new jobs.

He told the conference: "I grew up in the 1930s with an unemployed father. He did not riot — he got on his bike and looked for work and he kept *looking until he had found it.*"

Mr Tebbit justified his refusal to go any further in lifting the veil on the new industrial relations legislation, by disclosing that he has not yet submitted his proposals to the Cabinet.

To cheers Mr Tebbit insisted:

He emphasised: "It is in the spirit of friendship not confrontation, that I say to them: '*I am ever ready to meet you,* to offer my help in hastening the reforms which you feel may be necessary.'"

Mr Tebbit explained that he wanted the new legislation to improve the working of the *labour market—something* which could only be to the

'I have no wish to bash the unions, but I am not willing to stand aside if they begin to bash others weaker than themselves.'

"I have no wish to bash the unions, but I am not willing to *stand aside if they wish to* begin to bash others weaker than themselves."

He instanced the events which featured in the winter of discontent when many of the old, the sick, the unemployed and the disabled were "bashed by the unions."

He confirmed that he had no enthusiasm for "heavy handed" regulation of the internal affairs of the unions.

But they were powerful and privileged bodies and there was real concern about the way they conducted their affairs,

advantage of workers and consumers, who were the same *people in different roles.*

To a further roar of approval, he declared: "Above all, it will use the power of the law for the true purpose of the law—to protect the weak against the strong and to provide redress for those who are unjustly harmed by the action of others."

Mr Tebbit acknowledged the concern over the rise in the number out of work to three million, and assured the conference that the Cabinet was at one *in framing policies first* to arrest and then reverse the tide of unemployment.

He refused to accept any commitment to a phased lowering of retirement age for men and also refrained from giving any immediate response to demands from the rank and file for a major reduction in the national insurance surcharge.

The growing anxiety in the *party over the rise in unemployment* was reflected in the applause given to Mrs Patricia Murray who highlighted the hardship it caused in the North-East.

She urged that the national insurance surcharge should be removed or at least substantially reduced and more encouragement given for voluntary pensionable early retirement for those in the 55-60 age group.

Mrs Murray told the party's leaders "my plea is 'let the people go back to work and your supporters will once again go back to the streets and fight for the return of a Conservative government.'"

Mr Iain Picton, a Young Conservative from Toxteth in Liverpool, traced the recent rioting there to the hopelessness felt by young people unable to get work.

Mr Andrew MacKay from Birmingham blamed the national insurance surcharge for accentuating unemployment in the West Midlands.

Ashley Ashwood

Tebbit: Full support for Mrs Thatcher

Sackcloth and ashes greet coded language

THE CODED language which is used in the clandestine struggles within the party reached a level of fiendish complexity yesterday as two leading mebers of the Cabinet —Mr Francis Pym and Mr Michael Heseltine—took to the conference platform. Neither of them can be clearly defined as "wets" although they have both damp.

Mr Pym, Leader of the House of Commons, and minister in charge of government communication, was answering a potentially awkward debate on whether the Government's policies were getting across to the public.

In fact, he had nothing to fear. Far from attacking the leadership, delegates donned sackcloth and ashes and abased themselves like medieval penitents. It was they who had let down their leaders by neglecting to spread the monetarist gospel throughout the land.

Tearing ourselves away from these masochistic scenes, we had to get our code-breaking machines out to decipher the cryptic messages coming from Mr Pym. Ostensibly, he was issuing a trumpet call for party unity. But what was this?

"No amount of explanation on the doorstep or anywhere else is going to make people accept cheerfully what is blatantly bad news," he solemnly intoned. Surely, this was a very strange way to rally the faithful.

Then there was a classic passage on party policy: "Certainly, there are alternatives and they are a very proper subject for debate on their merits."

Roughly translated, this probably meant that Ted Heath and other dissidents had every right to carry on their campaign against Government policies.

This singular performance was followed by Mr Heseltine, the Environment Secretary, on the subject of the inner cities. Skilled cryptographers know that the main element in code-breaking is to pick out the key words. Suddenly, we were alerted by two names—Disraeli and Iain Macleod.

Feeding the long sentences through our machine, the hidden text was there for all to see. The gist could only be that unless Maggie Thatcher did something about unemployment, and modified her policies, things would go from bad to worse.

The delegates, however, are not issued with de-coding kits. They seem only to get the surface noises they are meant to hear. As a result, both ministers received an enthusiastic standing ovation.

Mrs Thatcher was absent from these proceedings. But she was in her place for the afternoon session on employment and industrial relations when delegates were given their first taste of the party's new hard man, Mr Norman Tebbit, the Employment Secretary.

He is as lean and saturnine as his predecessor, Mr Jim Prior, was rotund and jovial. Delegates were already reading copies of the Manchester Evening news with a report of a radio interview he had given earlier in the day. The banner headline declared: "Tebbit warns unions, I can play rough."

Tantalisingly, he dangeld beforethe conference a package of further trade union legislation which he intends to introduce in the next month orso.

Apparently, so secret are the contents of this package, that even Mrs Thatcher has not been given a glimpse of them. Nevertheless, he hinted that when it is unwrapped great wonders will be revealed to the world.

On the strength of this promise, the conference gave him a standing ovation. As the clapping started, Ted Heath—who had listened impassively from the platform — was observed slipping away to address yet another fringe meeting.

John Hunt

Why the SDP gets dissident publicity

By Margaret Van Hattem

ONE OF the more intriguing *developments at Blackpool this* week has been the publicity campaign mounted by the Tory dissidents—overt and covert—on behalf of the Social Democrats.

It has, of course, taken the form of a series of attacks and warnings. But they have been curiously flattering attacks, stressing the electoral appeal and moderation of the new party as a major threat to the Government. Paper darts, not knives, are being hurled at the SDP, its leaders and policies.

The theme has been very publicly developed—first by Mr Norman St John-Stevas, followed by Mr Edward Heath, Mr Francis Pym, Mr Peter Walker and many other less *prominent* MPs.

Traditional middle-of-the-road Tory supporters, the argument goes, will desert the party in droves and join the SDP unless it returns to the centre ground. This, it is claimed, would mean the return of a Labour Government at the next election, either in coalition with the new party, or with its tacit support—this point is left rather vague.

Indeed it does not need to be clarified because no one propounding the argument at the fringe meetings, receptions and numerous bars where the real conference debate takes place, shows any sign of believing it.

The prospect of Social Democrats co-operating with their sworn enemies in the Labour Party is generally held to be as remote as the prospect of the Labour leadership selling such a coalition to its rank and file.

The prospect of a Liberal-Social Democratic alliance holding the balance of power in the next parliament and co-operating with the remnant of the Conservative Party is held to be far more likely. The price, apart from proportional representation and a few other idiosyncracies, would be a change in the Conservative leadership.

In fact, what the Tory dissidents are really talking about is belling the cat.

As this week's conference has *shown Mrs Thatcher is well en*trenched among the right-wing activists who have come to the fore in the party under her leadership. The dissidents eye these rather as the aristocrats in the German army eyed the Brown Shirts in the 1930s.

Nevertheless, they accept that while the party usually falls into place behind whatever leader is put in front of it, Mrs Thatcher's current popularity with the rank and file may preclude the possibility of a traditional *coup before the next* election.

However, some of them are beginning to see in the SDP the potential means of changing the leadership without having to retire to the Opposition benches to do so.

It is an intriguing possibility—so far no more than that. But it is one that seems to be at the back of a growing number of minds.

Pym triumphs with call for loyalty and tolerance

BY IVOR OWEN

PYM: Ringing appeal.

CRITICS OF the Government's economic policy and single-minded "don't rock the boat" party activists joined in cheering a skilfully constructed and emollient speech by Mr Francis Pym, the Leader of the Commons.

He succeeded in combining a ringing appeal for loyalty to the Prime Minister with the first public acknowledgement from the platform that the party must not be mesmerised by her "Tina" (There Is No Alternative) label.

He declared: "Certainly there are alternatives and they are a very proper subject for debate on their merits.

"But there simply are no policies waiting to be found somewhere which can bring an easy or quick solution."

A delighted Mr Norman St John-Stevas, *one of the deposed* Cabinet Ministers pressing for a modification of policy to ensure higher priority for reducing unemployment, beamed approval.

Mr Pym, replying to a debate dominated by complaints that publicity and public relations failures were unnecessarily adding to the Government's unpopularity in the country, hinted that the going is likely to get even rougher.

This would make loyalty to the party's leaders all the more vital, he said, but the importance of tolerance also had to be taken into acount.

Mr Pym insisted that there should be no "crude personal attacks" or ideological witch hunts.

All Conservatives knew the sort of society they wanted to create and discussions on the best way of achieving it should be a matter for calm debate.

"For God's sake let us listen to each other," he said.

Mr Pym incorporated another recognition signal to the so-called "wets" when underlining the growing threat to the party from the Social Democratic Party-Liberal alliance.

He warned: "The SDP and Liberals represent a very great danger to the Conservative Party and the country. If we are not able to convince people that we are still the party of One Nation then discontented Conservative voters may drift off to the SDP."

Mr Pym forecast that if this were to happen the most likely result would be a Labour victory at the next election.

"That is the danger facing us today and that is one of the chief messages I wish to give you and the country."

Mr Dick Tracey, deputy chairman of the Greater London Conservative Association, *demanded more determined efforts* to explain the objectives of Government policy in easily understood terms.

"M1 and M3 are still motorways to most people," he stressed in a despairing reference to the intricacies of the money supply statistics.

Mr John Browne, MP for Winchester, highlighted rank and file concern caused by the "open disagreement" in high places in the party.

To cheers, he attacked calls for reflationary measures, and argued that a policy of "buying votes" had failed in 1974 and would fail again.

In a tribute to Mrs Thatcher, *he described her as the first* Prime Minister since 1940 "to face our democracy with painful reality."

There were more paeans of praise for Mrs Thatcher from Mr Tony Paterson, who, before *joining the Conservative ranks,* stood against her as a Liberal candidate at Finchley.

Lawson attacks critics of economic strategy

BY PETER RIDDELL

MR NIGEL LAWSON, the Energy Secretary, yesterday strongly counter-attacked criticisms of the Government's economic strategy by prominent Tories. He accused them of offering "cold feet dressed up as high principles."

His remarks came in a speech to the free market Selsdon Group and followed criticisms of the current strategy by Mr Edward Heath, Sir Ian Gilmour, and Mr Norman St John-Stevas. Mr Lawson mentioned only the latter by name, but was clearly criticising the first two.

Mr Lawson, one of the main architects of the present strategy, said the proposals of the critics were "close to bribery dressed up as statesmanship."

Tax cuts could be paid for either by future generations or by cheating those who borrow.

He said that one or two people had taken Cabinet office in 1979 on manifesto commitments which they now "rejected root and branch." Instead of the manifesto commitments to lower public spending and borrowing and monetary growth, they now proposed higher figures.

Mr Lawson in particular focused on the critics' arguments for British membership of the European Monetary System. He said that this idea was still continually under review, and there were arguments both for and against joining.

The EMS was, however, a form of financial discipline which was external rather than internal. It would require precisely the same sort of interest rate consequences as the present policy. Mr Lawson accused the critics of falsely pretending that the high level of interest rates could be abandoned, if sterling joined EMS.

He argued that the critics' views represented the triumph of hope over experience, and he asked them "to drop their high moral tone. There is nothing *moral or compassionate* about unleashing a holocaust of inflation."

Mr Lawson also argued that the proposals of the critics would be wrong electorally, since they would involve so public a reversal of the policies on which the Government had been elected.

He maintained that there was a real economic cost of their protests. The current adjustment process to low inflation was necessarily hard and any postponement would unnecessarily prolong the pain and the grief.

Mr Lawson said the critics had every right to speak, but they should remember that "they were playing with fire."

He argued that, of course, the Government wanted to see the economy growing and to see rising living standards. But the only levers in a free society were monetary levers.

The speech underlines the divisions within the Government and the desire of those Ministers who support the strategy to counter-attack against the many doubters, not only on the back benches but also on the front bench.

Later, in reply to questions, Mr Lawson said that there was "considerable evidence that a fairly tight monetary regime was in place."

On energy issues, he stressed that it was important to get "a safe and reliable nuclear power programme off the ground."

Asked about the North Sea gas-gathering pipeline, he said that the private sector should bring the gas ashore.

Employers to recoup sick pay

EMPLOYERS ARE to be allowed to recoup cash they pay out in sickness pay from their National Insurance contributions over the first eight weeks of an employee's illness, Mr Norman Fowler, Social Services Secretary, said in Blackpool yesterday.

The move would save about 3,000 Civil Service jobs involved in processing sickness benefits, he said in a conference question-and-answer session. It would reduce the administrative burden on employers who have had to process payments jointly with Social Security staff.

Under the scheme 90 per cent of sickness payments would become fully taxable because the loophole allowing employees to avoid paying tax on the state-paid contribution to their sickness pay under the present system had been closed.

"The Government has decided to accept the case for 100 per cent self-deducion," Mr Fowler said. Employers would be able to deduct from their National Insurance payment every payment of statutory sick pay they made.

The announcement was welcomed by Mr Bryan Rigby, deputy director-general of the Confederation of Bristol Industry. He said: "This is a triumph for common sense and it will ensure much wider support among employers for the Government's objectives.

Walker praises 'interventionist' Government

BY MARGARET VAN HATTEM

MR PETER WALKER, the Agriculture Minister, yesterday supported the Government in a long, warmly applauded speech in which he praised its strongly interventionist role in industry, its commitment to the One Nation principle, and its tolerance of dissent.

"There have been times when I disagreed with different Tory leaders but I have never had any reason to complain that I could not express my views," he told a Tory Reform Group fringe meeting.

"Nor have I ever been hounded for doing so," he added.

"Ted Heath was not booed yesterday and I am glad. It would have been totally out of character with the traditions of the Tory Party."

If his audience detected a note of irony in his speech, they did not draw attention to it. Indeed, the highly selective nature of his praise for the Government's performance precluded any charges of disloyalty or backsliding from his fellow dissidents, who have been criticising *the Government quite openly* at fringe meetings this week.

As one of the few dissenters still in the Cabinet, Mr Walker is obliged to speak in the code of references to Disraeli, the late Mr Iain Macleod and other Tory liberals.

Few, however, mistook his meaning or failed to laugh appreciatively when he solemnly declared his "constant and major disagreements on every point" with Sir Ian Gilmour, who had recorded his strong opposition to the Government's *economic strategy the previous* day.

Mr Walker urged an increasingly interventionist policy in industry, and constantly supported his argument with references to Mr Patrick Jenkin, one of the more hardline supporters of the economic strategy.

No one, he said could accuse the government of subscribing to free market theory. Without massive government intervention, many of the nationalised industries would already have *gone to the wall.*

There was, however, room for improvement. Closer co-operation between government and industry on the French, German or Japanese scale — either through the banking system, the Civil Service or other agencies — was needed to restore British competitiveness.

Mr Walker devoted several minutes to a muted attack on the Social Democrats who, he said, offered no coherent policies and were too egalitarian.

Heseltine warns party of dangers in divisive policies

BY JOHN HUNT

MR MICHAEL HESELTINE, the Environment Secretary, yesterday urged the Party not to depart from the policies of "compassion and tolerance" laid down by Disraeli and the *late Iain Macleod.*

By implication, his speech was a warning to the rank and file, and to Mrs Thatcher, of the perils of high unemployment and divisive policies.

If necessary, public funds should be used to aid the inner cities in the wake of last summer's riots, he said. But the greatest priority should be given to attracting private funds.

Too often, governments had slaughtered capital programmes to pay for consumption in the public sector. But there would be no recovery in the inner cities without more resources.

Mr Heseltine, who has responsibility for the new inner cities programme, said: "Preferably it will be investment from the private sector or better use of existing public programmes. But if the case can be made it may also be from extra public expenditure."

His speech, made at the end *of debate on the inner cities,* won him the biggest standing ovation in the conference so far, overshadowing the reception given to Sir Geoffrey Howe, the Chancellor of the Exchequer, the previous day.

Conservatives, said Mr Heseltine, must realise the scale of impact of concentrated unemployment in the inner cities, the hopelessness it created and the destruction of self respect.

They had to understand the attitude of children to the authority of parents in areas where there was no prospect of middle-aged people ever finding work again. The nation was still suffering from the legacy of unemployment in the 1930s—this fuelled the venom of the Labour Party and the trade unions.

"This is the great challenge for our party. We alone believe in politics as a process of healing, drawing together and *building together on common* strength."

He recalled that delegates had cheered when people had mentioned the great names of those who had secured Conservative Governments for *Britain over long periods.* If had required great courage when Disraeli first talked of One Nation. That had not represented the view of the party in Disraeli's time.

But he led the party through *the great traumas of his day* because—in advance of his time—he had the vision to lead.

Ian Macleod (who was Chancellor of the Exchequer when he died in 1970) had also been a controversial politician *fighting against bitter criticism* in his efforts to keep the party close to those same traditions of compassion and tolerance.

"These are not ours to squander or abuse," Mr Heseltine said. "For a brief time they are entrusted to us to make *relevant in today's world.*

"They are the traditions that have kept our party in the forefront of British politics, in the centre of power in our generation. We must show the courage and the vision of the leaders *whose memory we applaud.*"

There had to be an effort of will from society as a whole. Discontent did not flourish in a stable society.

He saw the conference as an important reaffirmation of the *party's faith* in the mainstreams of Tory policy and philosophy which had been moulded over the centuries.

The party had to show its determination to bequeath these traditions untarnished to later generations. "If this party cannot lead a united nation through its darker moment there is no one else who can even try."

There was applause when Mr Heseltine said Conservatives must be absolutely clear about the coloured community in the inner cities: "They are British. They live here."

HESELTINE: priority for private funds.

Export warning from Tugendhat

BRITISH EXPORTERS would be at a massive disadvantage if Britain left the EEC. Mr Christopher Tugendhat, Vice-President of the EEC Commission, said in Blackpool yesterday.

"They would be immediately subjected to tariffs within the EEC and huge numbers of jobs would be put at risk," he said. [illegible]

Next week in parliament

THE House of Commons resumes sittings on Monday. Parliamentary business:

COMMONS

Monday and Tuesday: Remaining stages of the Companies Bill. Wednesday: Lords Messages, Hereford and Worcester Trial Area Order. Thursday: Lords Messages: Education (Scotland), Lothian Regional Council's Transfer Scheme.

Friday: Consolidation Measures: Acquisition of Land Bill (Land), Compulsory Purchase, Vesting Declarations Bills, New Towns Bill, Trustee Savings Bank Bill. Debates on micro-electronic technology, marketing and use of certain dangerous substances, and on protection of workers from asbestos.

LORDS

Monday: Education Bill, Third Reading. Wildlife and Countryside Bill, Consideration of Commons amendments.

Tuesday: British Nationality Bill, Third Reading.

Wednesday: Debates on EEC reports on employee consultation and on careers [illegible].

Thursday: Laboratory Animals Protection Bill, Third Reading; short debates on EEC report on [illegible] and on distribution of [illegible] resources to [illegible].

هكذا من الأصل

UK NEWS—THE BANKERS AT THE MANSION HOUSE

Howe defends economic policies and welcomes 'new spirit of realism'

HIGHER GOVERNMENT borrowing as part of a move towards reflation would increase upward pressures on interest rates and inhibit rather than promote the growth of employment, Sir Geoffrey Howe, the Chancellor of the Exchequer, told the Lord Mayor's dinner.

"This week we have heard again from those who are always ready to argue that any budget deficit, like the widow's cruse, virtually finances itself. Changing the metaphor, the suggestion is that, no matter the size of the bucket, it will magically fill itself: the process of creating a deficit is said to generate the funds to finance it.

"For obvious reasons the theory is alluring: yet whenever this approach has been tried in practice those in my position have had to recognise that it doesn't work, that there's a hole in the bucket. And it is scarcely surprising that there should be leaks.

"Why should people go on filling up the Chancellor's bucket, particularly if they fear that he will keep turning up with a bigger one?

"Even if the process did succeed for a time, it would only be at the cost of higher interest rates. And that would be exactly opposite to the proclaimed purpose of all those to whom I refer.

"It is paradoxical, is it not, that all those now promoting this theory, which has already been tested to destruction a good many times, should also denounce as doctrinaire those of us whose conclusions rest solidly upon the lessons of experience.

"For us to borrow more, in order to reflate, would increase the pressure on interest rates and, except perhaps in the shortest of terms, inhibit rather than promote the growth of employment. I sometimes wonder how much better off we should be if a fraction of the energy burned up in attempting to persuade the Government to borrow more, was devoted to attacking the real problems, which extra borrowing would not cure—and could well make worse.

Ashley Ashwood

Chancellor Sir Geoffrey Howe and Mr Gordon Richardson

Flexibility

"These real problems are no less important than the topical question on which I have just spent some time. We need, crucially, to improve our efficiency in the creation of real wealth, our ability to produce and sell goods and services at prices that can compete in domestic markets as well as overseas.

"It is for that reason that we have taken so many steps to increase the flexibility of the economy, to remove the obstacles to change, to increase the opportunities for enterprise. For here is the real answer, the sustainable cure, for unemployment.

"Under this Government, controls of pay, prices, dividends and foreign exchange have gone, and we do not intend to reintroduce them. And reductions in income tax — to improve incentives — have been substantial, indeed dramatic at the top end.

"But there is must still to be done, perhaps most of all in the labour market. We have to enable people, by encouraging them to be sensible about pay, to bring the price of their labour down to the level at what it can once again be fruitfully employed.

"Between 1977 and 1980 real living standards grew by 17 per cent—very much faster than the rise in productivity—and the real income of companies (excluding those in the North Sea) fell by almost 30 per cent. The changes which took place during these three years—and they were largely the continuation of what had been taking place before were positively hostile to the maintenance of employment.

"If profits and investment are to recover, and the outlook for jobs is to be improved, then we have to reverse that trend. And for that to happen there has to be some fall in living standards.

"The greater our success in keeping pay rises within the limits of what can be afforded, the more can be available for capital expenditure, for the maintenance of services, for the expansion of industrial and commercial activity—and so for a real reduction in the numbers now out of work.

"In this task, the skill and ingenuity of those who work in our financial institutions can play a constructive and a crucial role. For what really needs to happen—and, of course, it is taking place already—is a great multiplication of the rafts of capital, the rafts of new investment, often very small at the start, to which those who have lost their previous jobs may swim.

"This is why we have increased the resources available, by way of grant, to encourage the growth as well as the birth of businesses throughout the wide field of high technology.

"This is why we have devoted so much effort to the introduction of schemes and incentives to promote small businesses; the Venture Capital Scheme, the Business Start-up Scheme, the Loan Guarantee Scheme.

Investment

"This is why we welcome inward capital investment—often more important for the flow of management and technical success than for the capital that it brings.

"This is why we are willing, too, to welcome additional private investment in the public sector, if that can be undertaken under conditions of risk and profit that resemble in all important aspects investment in the private sector, and in circumstances where the disciplines of direct market pressures would offset the impact of higher borrowing.

"And this is why we are determined to ensure that wherever possible nationalised industries are—in a more general sense—made more responsive to market considerations.

"This means removing statutory monopolies, and in some cases transferring to the private sector through a sale of shares. The flotation of British Aerospace has already been achieved. There must be more such sales.

"I sense that slowly there is dawning a new spirit of realism in this country, a recognition that we must—and can—make our own way in the world, on equal terms with other strong and growing economies. Inflation has come down from 22 per cent in the early part of last year to 11½ per cent today. The level of pay settlements has been halved: and there are some signs that this improvement will be sustained in the next round.

"Manufacturing productivity has risen by 5 per cent since the end of last year. The movement of productivity and earnings, coupled with the fall in sterling since the end of last year, has probably improved the international competitiveness of British manufactures by some 10 per cent.

So we *are* making progress. Certainly we understand the distress created by unemployment, particularly among the young. We shall continue to do all we sensibly can to help the hardest-pressed. But it is inevitable that the process of change should be difficult and painful.

"To combat inflation, and make long overdue changes in structures and attitudes, and to do so in the harshest world economic climate seen since the 1930s, was bound to require determination and tenacity.

"There can be no escape from the need to continue improving efficiency and reducing costs, until the performance of our economy comes closer to that of our competitors.

Monetary policy must and will continue to play a key role.

"Our belief, shared throughout the Western world, is simply that the defeat of inflation entails a programme of financial restraint, which helps to limit the growth of total incomes and expenditure in money terms.

"It means that the Government has an overwhelming responsibility to control its own expenditure, and its borrowing. In this respect our record is not perfect: but neither is it bad. So far as one can see at present—and admittedly, this is not very far, since the statistics are still fogged by the Civil Service dispute—the borrowing requirement this year is on track for the total of £10.5bn which I suggested in the Budget. That means about 4 per cent of the GDP.

"The more the Government is able to control its own expenditure and borrowing, the more likely are domestic interest rates to come down.

Distortions

"I reject the charge that the Government is obsessed with a slavish regard for one monetary aggregate—sterling M3—to the exclusion of all else. The fact is that—given the distortions in the numbers following the abolition of exchange controls and the corset, and given the fogging of the statistics—there is no practical alternative to looking at the monetary scene more widely than in terms of sterling M3. Our targets are expressed in terms of sterling M3. But we have repeatedly made it clear that no one aggregate can fully encapsulate monetary conditions.

"Over short time periods different monetary aggregates do move in different directions. Sometimes the signals given may differ from those given by the exchange rate. What matters most is that the Government must maintain a steady, though not excessive, downward pressure on these monetary variables over a period of years.

"I think we can justifiably claim to have achieved this sort of pressure over the past two years. One piece of evidence is that nominal GDP has been growing at a rate of 10 per cent over the past year. This is close to the rate that we expected at the time when the Medium Term Financial Strategy was introduced. The present balance of indicators points to the maintenance of a firm fiscal policy if we are to continue to make progress against inflation."

Rise in interest rates necessary to prevent heavy fall in sterling

THE RISE in interest rates this autumn has been painful but necessary in order to prevent an "unacceptable" depreciation of sterling which would have had a major impact on the inflation rate, Mr Gordon Richardson, the Governor of the Bank of England, told the Lord Mayor's Dinner.

"When confidence is disturbed, and in the absence of firm action by the authorities, markets can easily generate a momentum of their own. An exchange rate can then be carried down to a point where the authorities are forced in the end to react. Experience shows that this usually involves interest rates higher than ever and often lasting longer than might otherwise be necessary.

"Against the background—now visible practically world-wide—of inflation, slow growth, unemployment and violent fluctuations in financial markets, it is clear that we, and in their degree others, are in the midst of stubborn economic difficulties. In particular the recent sharp increases in interest rates in this country brought widespread disappointment and concern.

"For many businesses this must seem especially hard at a time when profits are still acutely depressed. Equally, to householders buying their own houses, at a time when local rates are soaring, the rise in mortgage rates must seem harsh and unwelcome. Of all this I am keenly aware."

He recalled the interest rate reduction at the time of the March Budget. But he said: "As the year went on, however, the pressures on the exchange rate tended to increase, in response in the first place to the weakening of oil prices. Developments in the United States, at the same time, widened the differential in interest rates against us.

"At home the domestic situation produced conflicting evidence. The prospect for inflation, and developments in the real economy affecting it, did not on their own point clearly to restrictive action. At the same time, the growing pace of bank lending to persons had to be viewed alongside a lack of buoyancy in retail sales and the housing market—developments not unconnected, it seems, with the concurrent pressure on real income. But the growth of the money supply, though increasingly obscured by the Civil Service dispute, gave signs of accelerating, and pointed in the same direction as concern about the exchange rate.

"External market pressures steadily mounted—to a point, in mid-September, where further resistance appeared inappropriate in view of the course of the exchange rate, and the fact, also, that the evidence of domestic monetary trends had become more insistent. The first stage was that we had to shift our own dealing rates moderately higher. The second stage, following the world-wide spasm in financial markets, swept our short-term rates still further upwards.

"I know that some may argue that the rise in interest rates was too large, and that this is especially hard for industry at a time when demand is weak, profits are low, and the exchange rate—though lower than it was—still leaves many firms with a stern struggle in facing foreign competition.

"But what was the alternative? What would have happened if we had ignored the pressure in exchange markets and had sought to hold our short-term interest rates below the levels that markets were clearly signalling as appropriate? The answer must be that we would have risked provoking a quite unacceptable degree of depreciation—unacceptable because it would have had major effects on the level of our domestic costs.

"In real terms, even after their recent rise, interest rates in this country are now no higher than the international average. International interest rates over the last week have edged downwards, following developments in the United States and helped also by the realignment within the EMS — moves now reflected in our own banks' base rates.

"In the light of this account, it is clear that our resolve to pursue the path of financial discipline has manifestly not weakened. But it may be asked how we now view monetary targets, of which we have had five years' experience since their first adoption. A monetary target, for all its difficulties of interpretation here and elsewhere, provides a necessary discipline. But in the short term our actions need to be guided by a range of considerations.

"Last year, with the economy moving sharply into recession, money supply on the broad definition grew very rapidly, yet

Reports by David Marsh and Christine Moir

policy was evidently severe—as was clearly shown by the other aggregates and the exchange rate, then very strong.

"This year, we have had the prolonged statistical fog created by the Civil Service dispute; we have had to consider the growth of bank lending at a time when demand in the markets to which the credit has gone has been weak; and we have had the decline in the exchange rate.

Despite these complexities, it remains imperative to keep the rate of monetary growth under control. To give weight to exchange rate considerations would on some occasions have meant loosening our monetary control."

Turning to the economy, he said: "It is scarcely surprising that, with output depressed and substantial unused human and physical capacity, so much attention focuses on the possibility of early recovery. But it is difficult to predict accurately the future course of output or say how soon recovery will come.

"There are some encouraging signs. Wage negotiations and wage settlements have been more closely related to what firms can pay; and there have been far fewer strikes. Moreover, while the prices that industry pays for fuel and raw materials have sharply increased this year, retail prices have not, so far at least, accelerated in face of these higher costs. The reason is, I think, significant. Labour costs account for half the input costs of British industry, and the rise in unit labour costs in manufacturing has been a major inflationary influence over the past decade. The task of getting inflation down depends critically on success in this area.

"This year there has been a marked increase in manufacturing productivity, all the more remarkable for occurring at the bottom of a recession; and, as a result, unit labour costs have been virtually steady.

"Tighter manning levels have been achieved, overheads have been reduced, stock control improved, and investment projects subjected to closer scrutiny. In general there has been a tautening of management, and an improved understanding at all levels of what competition means. I am optimistic enough to believe that many of the gains can be permanent."

Goodison urges Chancellor to win popular support for Government's industry strategy

THE CHANCELLOR should not allow himself to become "*obsessed by tactical problems*" but should keep his eye on the strategic aim "of getting inflation down and creating the conditions in which commerce and industry can *thrive again*." Mr Nicholas Goodison, chairman of the Stock Exchange, advised Sir Geoffrey Howe.

That strategy was the great attraction of Conservative Party policies before the last election, said Mr Goodison, and the Chancellor had "gone part of the way" towards implementing it "despite the aberrations in taxing banks and oil companies in the last Budget (an unhappy precedent)".

What was now needed was to win popular support for the strategy by a return to "*plain English.*" Mr Goodison said he believed much of British industry was in better shape to compete in the world than for some years but people would more readily understand this if the Government talked less in the learned economists. "I doubt if they will lay down their lives for the money supply," he said.

In particular the Government needed to explain why the country could not afford to go on increasing the national debt. That had doubled under Mr Dennis Healey, and risen by a further 25 per cent under the present Government "despite its brave intentions."

Increasing debt is "not only keeping interest rates high and damaging the prospect of industrial recovery it is becoming a major contributor to international *instability*."

Nationalised industries were a major part of the Government's burden of debt which could be shifted if they were permitted to tap public markets for finance for investment. "Investors in productive services do not need a Government guarantee," Mr Goodison said, so he could not understand the Treasury's reluctance to allow public subscription for new capital.

Finally, Mr Goodison urged Sir Geoffrey to accelerate the move towards a capital-owning democracy by denationalising State-owned industries "because the State has proved incompetent in their management" and the commercial discipline of being answerable to shareholders was a much better motivator.

Goodison: "plain English"

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1980
COMPANY LIMITED BY SHARES
FARMSIDE FREIGHT SERVICES LIMITED
EXTRAORDINARY RESOLUTION
(Creditors Voluntary Winding Up)

At an Extraordinary General Meeting of the above Company duly convened and held at Temple Lane, Fillongley, Coventry, on 7th October 1981, the following extraordinary resolutions were duly passed:

"That it has been proved to the satisfaction of the Company that this Company cannot by reason of its liabilities continue in business, and it is advised that the same should be wound up, and that the Company be wound up accordingly, and that Anthony Newton of 28-36 Carver Street, Sheffield S1 4FS be and is hereby appointed the Liquidator of the Company for the purposes of such winding up."

Dated: 7th October 1981.

NOTICE OF MEETING OF CREDITORS
FARMSIDE FREIGHT SERVICES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at 2nd Floor, Eagle Star House, Carver Street, Sheffield 1, on Monday, the 19th day of October 1981, at 11.30 o'clock in the forenoon, for the purposes mentioned in Sections 293, 294 and 295 of the said Act.

Dated this 7th day of October 1981.
By Order of the Board.
J. S. OWEN, Secretary.

NOTICE OF MEETING OF CREDITORS
NORMAN HILL (BUILDERS) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at Box 2A, 2nd Floor, Eagle Star House, Carver Street, Sheffield, on Monday, the 26th day of October 1981, at 11 o'clock in the forenoon, for the purposes mentioned in Sections 293, 294 and 295 of the said Act.

Dated this 8th day of October 1981.
By Order of the Board.
NORMAN HILL, Secretary.

COMPANY NOTICES

CREDIT LYONNAIS
U.S.$50,000,000
Floating Rate Notes due 1988

Holders are hereby informed that the interest rate for the first period which runs from October 15th, 1981 to April 15th, 1982, has been set at 16¼%.

The coupon amount for each note of U.S. $10,000 nominal is U.S. $815.27.

The Fiscal Agent
BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme

THE ROYAL BANK OF CANADA
DIVIDEND No. 377

NOTICE IS HEREBY GIVEN that a Dividend of [illegible] per share upon the paid up Capital of this Bank has been declared for the current quarter and will be payable at the Bank and its branches on or after [illegible] 1981, to shareholders of record at the close of business on [illegible] 1981.
By Order of the Board [illegible]

ART GALLERIES

CRANE KALMAN GALLERY, 178 Brompton Rd., SW3. 584 7566. [illegible] JOHN MEYER [illegible] Until 24 Oct. Mon.-Fri. 10-6. Sats. 10-4.

FIELDBORNE GALLERIES, 63 Queen's Grove, NW8. [illegible] JOE JONES. GYPSIES OF GRANADA.

LEFEVRE GALLERY, 30 Bruton St., W1. [illegible] 20th CENTURY WORKS ON VIEW. Mon.-Fri. 10-5. [illegible]

MALL GALLERIES, The Mall, S.W.1. [illegible]

MARLBOROUGH, 6 Albemarle St., W1. [illegible]

MATHAF GALLERY, 24, Motcomb Street, [illegible]

WHITECHAPEL ART GALLERY, [illegible]

Right-winger to fight Scargill in poll for mine union post

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR RAY CHADBURN, president of the Nottinghamshire miners, yesterday confirmed his intention to enter the lists for presidency of the National Union of Mineworkers.

This means that the contest is now a three-man affair, with Mr Chadburn and Mr Trevor Bell, the secretary of the union's white-collar section, Cosa, vying for the right-wing vote while Mr Arthur Scargill, the Yorkshire area president, is the sole standard bearer of the left.

Mr Chadburn said yesterday that he was standing on the advice of Mr Joe Gormley, the retiring president of the NUM.

The single transferrable vote system used by the mineworkers means that while the centre-right vote may be split in the first ballot, a second ballot is likely to see a straight run-off between Mr Scargill and the leading right-winger.

Mr Chadburn said: "I stand for the policies of the union over recent years, that is winning realistic improvements in wages and conditions for miners by sensible negotiation rather than a never-ending series of strikes which destroy the confidence in the coal industry and ultimately threaten jobs and investments in new coalfields such as the Vale of Belvoir."

Mr Chadburn must still face the hurdle of nomination by the majority of the 32 branches *in Nottinghamshire before his* candidature is official.

Soundings by NUM area officials show that around six branches are likely to vote for Mr Scargill, some 15 for Mr Chadburn, a very few for Mr Bell and the rest undecided. The result of their voting will be known by October 26.

Rail peace talks today

BRITISH RAIL and the train drivers' union Aslef will today attend talks with officials of the Advisory, Conciliation and Arbitration Service in an effort to avert next week's threatened one-day national rail strike, reports Philip Bassett.

Both sides agreed to the talks after an approach by Mr Dennis Boyd, Acas chief conciliation officer, who will initially hear the two sides put their cases separately, though there are *hopes of bringing BR and the* union together afterwards.

Aslef originally called the strike over cuts in services which it claims are a threat to members' jobs and pay. BR will argue that it is forced to reduce services.

Services to and from London's Waterloo station were disrupted again yesterday by unofficial drivers' action over train cuts. There were no services on the Waterloo-City line until midday, when the 24-hour stoppage ended.

One-day strike by refinery men next month

By John Lloyd, Labour Correspondent

WORKERS in the UK's oil refineries will go on strike for one day on November 6, causing the loss of about ten days' production.

The action was described by Mr John Miller, the Transport and General Workers Union's oil and chemicals officer, as a "warning shot across the bows of the oil companies." It was voted unanimously by a meeting of delegates from all the refinery unions yesterday.

The oil companies said last night that the action was not likely to cause serious shortages.

The dispute is over increasing redundancies in refineries and the policies of the oil *companies which, the unions claim,* is to transfer refining to other countries.

The 12,000 refinery workers have asked for the support of the country's 13,000 tanker drivers.

Cruise sit-in continues

ABOUT 150 crew members of the cruise ship Blenheim expressed their determination to continue a sit-in when it docked at Plymouth yesterday, *Brian Groom reports.* The National Union of Seamen is fighting the sale of the ship to a *Danish company, DFDS,* which the union says will run it under a flag of convenience.

The sit-in began last Thursday when the Blenheim, owned by the Fred Olsen Line, was switched to Gibraltar while on a Canary Islands cruise.

Meanwhile, the Merchant Navy and Airline Officers' Association yesterday withdrew a threat to renew industrial action throughout P and O's deep sea cargo fleet over the sale-and-charter-back of four *refrigerated ships. This* followed a ballot.

● Talks to find a breakthrough in the strike by 3,500 Liverpool dockers, now entering its fifth day, were adjourned again last night.

Bringing market forces into Whitehall

Philip Bassett reports on Government plans for a new Civil Service pay bargaining system

THE GOVERNMENT'S evidence to the inquiry into Civil Service pay gives the first indications of its wishes on the shape of a new pay system for the service, reflecting much more closely the impact of market forces.

The evidence to the inquiry, which was set up under the chairmanship of Sir John Megaw following the five-month strikes in the service over pay earlier this year, drew immediate sharp criticism from the Civil Service unions. The unions will now press ahead with preparing their own evidence for presentation, probably early net month. The inquiry is due to report by next summer.

The Government's evidence—a factual background memorandum on the pay and conditions of the 540,000 non-industrial civil servants, and another paper on the issues surrounding future pay arrangements—stems from the outline of a new pay system drawn up by senior Civil Service Department pay officials during the 21-week dispute.

The shape of the new system is indicated almost by implication in the paper submitted to the Megaw inquiry on Tuesday. It can be implied from a series of questions and answers for the *eight-strong* committee of inquiry to consider, and from a strongly-worded preamble which, it is thought, was included after pressure from Treasury Ministers and Downing Street.

This preamble states that the Government will seek to negotiate with the unions a new arrangement for determining Civil Service pay once the Megaw inquiry has reported.

It *wants the new arrangement* to last; to provide a sound basis for good industrial relations; to be acceptable to the staff; to command the confidence of parliament and the public, and to take "proper account of broader economic considerations."

The evidence states: "The Government is under no illusions that it will be easy to reconcile these objectives, but it looks to the committee to help it to do so."

Under this general decline, the Government suggests issues which the committee should examine, though it acknowledges its own evidence is "in part simply and annotated agenda" and states its readiness to provide fuller evidence on any points if necessary.

It raises questions about:

● How far an agreed factual analysis should determine Civil Service pay, and how much should be left to negotiation.

● The relative weight of pay comparisons and such factors as the recruitment and retention of staff, relative efficiency and relative job security.

● The scope for keeping Civil Service pay in line with the *general level of pay rises.*

● The reconciliation of Civil Service pay arrangements with the Government's "general economic responsibilities for controlling public expenditure and maintaining the value of money." This is an area of "particular difficulty."

● The reconciliation of parliamentary accountability with an ordered system agreed with the unions.

● The role of arbitration.

The evidence opens with a *detailed criticism of the now* abandoned method of determination, based on the principle of "fair comparisons" with similar outside rates of pay and conditions, as recommended by the Priestley report of 1956 into Civil Service pay, and as determined by the operations of the Pay Research Unit, which is now being wound up.

It states: "Whatever its abstract merits, the Priestley system has not worked well in recent years, and the resulting damage to its credibility has led to a loss of Civil Service and public confidence in it as a means of settling Civil Service pay."

In nine out of the last 15 years, the system has been overridden because of its conflict with Government incomes policies. "On more occasions than not, it has not provided a means of solving the problem of pay for the Civil Service."

It had two particular defects. Its basis in comparability meant it was retrospective, and so was "likely to generate increases which may be out of line with increases taking place elsewhere in the economy at the time" which caused conflict when the "national interest requires a substantial reduction of inflation and inflationary expectations."

It also established expectations of an entitlement to a pay increase when the cash allocations to meet such expectations were not necessarily available.

It may not have adequately reflected market rates of pay. "It has tended to insulate Government employees from the realities of life as they exist in the private sector, partly because intangibles such as job security, which cannot easily be reduced to a cash value, are underrated.

Rapid economic changes might require equally rapid and often harsh reaction. In such a setting "fairness"—certainly desirable—might not always be sustainable.

The system took as secondary the ability to pay. The availability of finance was only introduced, if at all, as a reason for overriding the system, and not as part of it.

Finally, the Government said it was questionable whether comparisons were made with the right outside analogues; whether circularity — the problem of analogues setting Civil Service pay rates and then following them — was compounded by the use of public sector analogues; whether the valuation of private sector fringe benefits had not become too detailed and mechanistic; whether adequate allowance was made for the benefit of index-linked pensions, and whether the method of updating of pay comparability evidence was justifiable.

For a new system, the Government recognised there was substantial public interest in maintaining an efficient and fairly paid Civil Service in which good industrial relations were maintained.

However, "on the other hand there is an equally clear public interest in the provision of essential public services at maximum efficiency and minimum cost."

The indications of the detailed elements of such a system are:

Ability to pay. "The Government's judgment of what it is justified in paying, taking account of financial and macro-economic considerations and the competing claims of other elements in public expenditure, as well as of managerial considerations, must necessarily play an essential part in the process of determining what pay should be."

Comparisons. Comparisons with real outside pay rates, rather than percentage movements in pay, more accurately reflect the position of the labour market. Outside analogues should be as representative as possible—the previous system had taken insufficient *account of the realities of the* labour market.

Job security, index-linked pensions and efficiency. "Outside pay rates need to be adjusted for differences in other benefits and conditions of service. The committee will wish to satisfy itself that any new arrangements provide for these elements to be properly and stringently valued.

On job security, the factual report states that attempts have been made to obtain an indication of relative job security, though this has proved difficult. "General indications are, however, that at the present time of high unemployment and redundancy, job security in the Civil Service is higher than in the economy as a whole, but little different from that of people doing comparable, white-collar work."

Arbitration. The Government accepts arbitration will have a role to play, but its evidence states: "For the avoidance of misunderstanding, however, it should be made clear now that the Government attaches the greatest importance to ensuring that, whatever the future *arrangement may be, it cannot* be forced into an arbitration process with an award which it is required to implement regardless of circumstances."

Merit pay. It notes that outside the Civil Service, "extensive use is made of merit pay arrangements." Merit is mainly rewarded through promotion at present, and it has been felt in the past that a performance-related pay scheme would be too difficult to administer in an organisation as large as the Civil Service.

Regional pay. Provincial pay differences were abandoned in 1958. "National pay rates are logical and convenient where there is an obligation or widespread practice of mobility, but for types of employment where there is considerable regional variation in pay levels (e.g. clerical and typing staff) it can lead to anomalies and distortions: over-payment in some areas and inability to recruit and retain staff in others."

No-strike agreements. "The committee may wish to consider this possibility either in relation to the service as a whole or for limited groups of staff engaged on particularly sensitive work.

Memorandum on Future Pay Arrangements for the Non-Industrial Home Civil Service; and Factual Background Memorandum on the Non-Industrial Home Civil Service; Civil Service Department, London.

BA staff scramble to bale out

Generous severance terms are achieving 9,000 job cuts, Brian Groom reports

BRITISH AIRWAYS is confident that today, when the deadline passes for applications under its severance scheme, the airline will have taken a major step towards achieving the 9,000 job cuts it wants by June next year as part of its rescue plan.

Volunteers have come forward in such large numbers that the total of applicants could well reach that figure or exceed it. Not all of them will be accepted, and not all will in the end choose to leave.

But BA has made clear that it will take the maximum it can and will try to resolve problems of achieving the right mix by redeploying staff who remain.

Why do so many want to go at a time when unemployment is approaching three million? The simplest answer is that many have found the terms of up to 1½ years' salary attractive. For a long-serving, top-paid pilot this could mean up to £35,000.

The offer of 50 per cent of a year's pensionable pay to those with less than three years' service has tempted many young people, particularly white collar staff, to take the opportunity of making a down payment on a mortgage.

The cash, however, is in many cases just the deciding factor of a whole range of reasons. Morale is low throughout the airline. A number of long-serving employees say they are only too glad to get out.

As one senior cabin steward with well over 25 years' service put it: "I am utterly disillusioned with the management's inability over a period of years to get anything right, whether it be manning levels, commercial policy, or long-term planning of the kind of aircraft needed."

One female supervisor in the revenue department was glad, after 15 years' service, to take the £9,337 which has been offered and go.

"Petty, bad management and infighting," and the impending introduction of video display units and mini-computers into her department had driven her on to valium, and had led one-third of the workers in her section to apply for severance, she said.

Applications have been particularly heavy among the white-collar staff. Some have been persuaded to apply because new technology is being introduced. Others fear the disruption which will result from the proposed re-deployment of staff.

"Engineers will probably come to my department, and they won't mind being redeployed," said one shop steward. "But they won't do much work."

The bad morale had been worsened, in the view of many, by the strains of trying to provide a full service as a national carrier while fighting Laker-type competition. Some pointed out, however, that the problems were not confined to BA — the gloom that reigns in its offices is mirrored elsewhere in the depressed airline industry.

British Airways' proposal to change its attractive, index linked pension scheme has provoked ire. It wants to cut employee contributions by about £150 a year, reduce the net pension by about £2,000 annually, and save the airline about £13.5m a year on its own contributions.

"People are more hopping mad than I've seen in 32 years," said a manager. A handful of people in his department, who had previously decided not to apply for severance, changed their minds yesterday because of the pensions proposal.

Fear for the future is a powerful factor. Many of the applicants think it better to go now under attractive terms than take the risk of going compulsorily later.

But where are they all to go to? The answer varies according to the group. The scheme has attracted the greatest interest at the extremes of the age scale. Those at the top end will go nowhere but into retirement.

"Some have thought that if they can get 1½ years' pay by leaving, and get it tax free, and if their pension is not actuarially reduced, they would be coming here for nothing," said a manager.

Among other groups, those whose skills tie them closely to the aviation industry have the bleakest prospects for alternative employment. Mr David Shepherd, a director of Airline Appointments, said his employment agency had received a number of inquiries from BA pilots. He was advising them not to leave unless they had another *job to go to.*

There were virtually no vacancies worldwide, he said. The position was better for licensed ground maintenance staff. But many of the vacancies in the Middle East and elsewhere in the Third World were unsuitable for family men.

The position is bleak for cabin staff, both at home and abroad, where demand for Europeans is falling. Some stewards and stewardesses are trained *in other areas—such as* nursing—and are leaving the industry.

Mr Russell Miller, national officer of the Association of Scientific, Technical and Managerial Staffs, said there was still a demand for staff with managerial and supervisory skills.

A sprinkling of workers are taking the opportunity of doing something they have always wanted—such as running a pub or starting a business.

For British Airways, which may end up paying £90m-£100m in severances, the big response to the scheme could mean it can avoid implementing its threat of compulsory redundancies if necessary to achieve the 9,000 job losses. The unions say they will fight any of these.

THE PROPERTY MARKET

BY ANDREW TAYLOR

Fluor concern over Camden rates bill

THE HIGH cost of rates in central London seems likely to force one of the capital's largest office users to move out. Fluor (Great Britain), part of the giant U.S. construction and engineering group, is "seriously considering" moving from its London headquarters building at Euston Square.

The group said that sharply rising rates bills in Camden had been a significant factor in its decision to consider alternative premises. It would consider any offer for its office complex at Euston Square.

MEPC is understood to have approached the group already to see if Fluor would be interested in taking space at MEPC's recently announced 300,000 sq ft office scheme at Kings Road, Reading, Berks. This will comprise three office blocks, with development to be phased over the next three years.

Fluor only took up residence at Euston Square, a British Rail Property Board development, in 1978. The first rent review falls due after five years. Fluor currently occupies around 237,000 sq ft with a further 40,000 sq ft additional to the company's requirements, already on the market. Agents for Fluor are White Druce and Brown.

The sharp rises in local authority rates have apparently prompted Fluor to look more closely at the cost of operating a major headquarters in London. The rates bill on Fluor's offices at Euston Square *is thought to have risen from* around £1.7m in 1980-81 to £2.5m in the current financial year.

Other companies which have moved out of London in recent years have reported substantial savings in terms of wage bills, rent and other services, the cost of which are higher in central London. One company has reported a saving of £400,000 a year simply through not having to pay London weighting allowances to workers.

No details have been released of the rent Fluor pays for its Euston Square offices although it was widely reported that a rent of £12.65 a sq ft had been achieved when the deal was agreed in 1978. The asking rent had been £13.50 a sq ft.

The Euston Square scheme was begun in 1974 and was put together by Peachey Property Corporation, then under the direction of the late Sir Eric Miller. Peachey's interest ceased in 1976 when British Rail brought in Norwich Union and ICI's pension fund to take over the financing for the £32m development. The funds then leased back the offices on a long lease to BR Property Board.

Fluor says that any move from Euston Square would be phased over a long period. A number of city agents expects Fluor to be looking for new premises along the Thames Valley to the West of London, hence the interest being shown by MEPC.

Fluor's decision, with a rent review *only two years away*, reflects mounting concern by some central London office tenants over the way *in which rate bills and other costs have* risen.

Top City rents still rising

TOP CITY rents, says Richard Ellis in a new report on office accommodation in the City of London, are now £27 per sq ft. That is 12½ per cent up on the top value of £24 a sq ft quoted in Ellis's major City office accommodation review in January.

Mr John Orton, research chief at Richard Ellis, started a few hares running in January when he predicted top office rents of £40-£45 per sq ft for the banking/insurance core of the City of London by 1985.

People commented, noisily. They did not specifically disagree, Mr Orton notes. Perhaps this was just as well. What Mr Orton and his colleagues were talking about was a rental growth rate (including 1985) of 11 to 12 per cent a year compound.

Historically, top city rents averaged an increase of 10 per cent a year between January 1950 and January 1979—basically meaning that rental growth had exceeded inflation by an average of 3 per cent a year in those post-war years.

Relative to recent inflation rates, then, the acceleration in predicted rental growth rates was mild. And Ellis would be the first to agree that top rents for the City are at the really sharp end of the market—where supply is essentially limited and demand, of one sort or another, almost an invariably constant factor.

Taking the City as a whole, the situation is a little different *as Ellis forecast in January*, and acknowledges now. "The difference in market conditions between the central banking/insurance area and the more peripheral areas has become increasingly more noticeable, affecting the demand/supply balance, and consequently rental levels."

In the third quarter of 1981 alone, Ellis says, office space coming on to the open market exceeded 1m sq ft during the quarter, mostly in July. Since the beginning of the year a total new supply of 2.5m sq ft has been brought on to the market, and Ellis reckons that supply in the final quarter will be enough to meet its forecast of around 3½m sq ft for the year, which compares with 3.7m sq ft in 1980.

As a whole, the City market is in surplus. Ellis estimates a total takeup of space of 2½m to 2¾m sq ft for 1981—with takeup to date in line with the lower end of that range—which compares with a total of 2.7m sq ft in 1980, where demand was stronger in the first half of the year.

But Ellis sticks to its previous assertion that the oversupply is not serious. It points out that, after showing generally little movement in the first half of the year, rental values for some properties in the City moved upwards during the summer months.

Ellis's All Buildings Rental Index, which contains 84 buildings representing a cross section of accommodation standards in various City locations, has increased by 4 per cent in the July/September quarter of this year, making a rise of 7¼ per cent since January—which is in line with the Ellis estimated range of 5-10 per cent for 1981.

William Cochrane

SLOUGH ESTATES has disposed of its major, and troublesome office investment in Belgium — the Leopold Business Centre in Brussels, which has 183,000 sq ft of air-conditioned offices with associated basement parking.

The taker is the European Commission, and agents for Slough were Jones, Lang, Wootton. The transaction is notable in that Richard Ellis has just reported few large surface areas available in the Brussels office market—"and few demands for this type of accommodation at the present time."

● Office space let, sold or under offer within the area covered by the Debenham Tewson and Chinnocks September floorspace survey relating to the EC and WC postal districts of London increased for the third month in succession—rising from 218,000 sq ft at the end of July, to 301,000 sq ft in August, and to 378,000 sq ft at the end of last month. Space coming on to the market in September more than doubled, to 566,000 sq ft.

● Abbey Property Fund has bought some 7,000 acres of agricultural land in 1981 to date for about £9m., including the purchase of eight farms mainly on the east side of Britain. Abbey, executive director Mr Ray Milton said: "With prices of agricultural land at lower levels than for some time, we have taken advantage . . . ".

● Interland Estates, a subsidiary of Heron Corporation, has let its 90,385 sq ft office block at 225-255 Bath Street, Glasgow. The new tenant, Greater Glasgow Health Board, is understood to have agreed a rent of around £4 a sq ft. Jones, Lang, Wootton was the letting agent.

● Land Securities (Management) has let two office suites, totalling approximately 2,000 sq ft in Brook Street House, 43/49 Davies Street, London W1. Rents of around £18.50 a sq ft were achieved. A first-floor suite has been let on a 15-year lease — five-year reviews—to American Officers Insurance Company. Eurotel Holdings has taken a 25-year lease—four-year reviews—on a 590 sq ft suite. Edward Erdman was the letting agent. J. Trevor and Sons represented American Officers Insurance.

● Ashurst Morris Crisp, the City firm of solicitors, has moved to new premises at Broadgate House, Eldon Street, London EC2. Ashurst is taking all 24,500 sq ft in the building formerly occupied by Lloyd's Register of Shipping and owned by Prudential Assurance. The solicitors are taking a 30-year lease, with five-yearly rent reviews at an initial rent thought to be around £11 a sq ft. Baker Harris Saunders advised Ashurst Morris.

Revival at Raglan gains momentum

RAGLAN Property Trust is continuing to make headway. Pre-tax profits published yesterday showed an 89 per cent uplift to £108,988 in the year to March 1981. Profits are expected to show a further sharp improvement in the current year.

Almost half of Raglan's pre-tax profits in 1981-81 were generated from rental income from its sole property asset, a parade of shops and residential units at Petersfield, Hants. However, earnings from management fees and property development profits are likely to see a significant increase in the current year as the group starts to see the first benefit from developments put together over the past 18 months.

This will include:

● a £500,000 profit to be taken from the forward sale of the first phase of an office scheme at Cowley, Oxford, to the AA pension fund for £2.4m. Negotiations are taking place with several institutions for the funding of phases two and three at Cowley.

● a £60,000 management fee to be taken this year for the project management of a 190,000 sq ft office scheme at Newbury, Berks, prelet to the Bayer chemical group. A further £60,000 fee is expected to be taken in 1982-83 as the scheme is completed.

● A further £20,000 in project management fees is also expected this year from the development of a new retail scheme in Newport, Gwent. Funding terms, which would also allow Raglan to take an eventual development profit on top of its fees, have still to be finalised but Allied Suppliers is understood to have agreed terms to take the largest 24,000 sq ft unit in the £2.5m scheme.

● As managing agents for the West Yorkshire Industrial Estate, Raglan is also due to receive fees of at least £40,000 this year. Around two-thirds of the 1m sq ft development has now been let on 999 year leases.

● Other fees will include £30,000 for managing properties formerly owned by Raglan but subsequently transferred to the group's former creditors as part of the bank rescue operation which saved Raglan in the mid-1970s. This fee is due to be reduced substantially in 1982-83 as former properties are now mostly all sold.

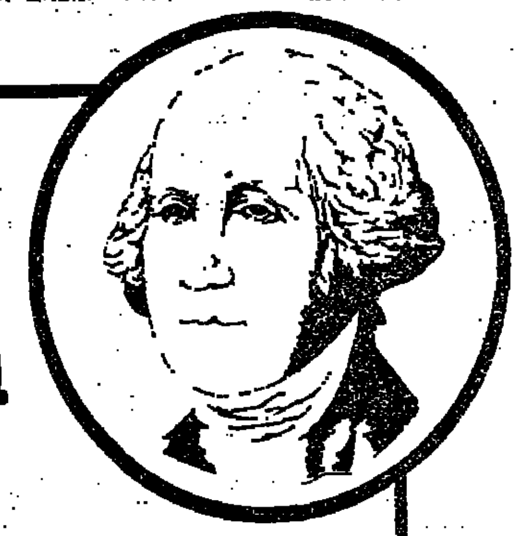
Pre-tax profits in the current year may be at least £250,000. In the longer term, Raglan has a number of other developments up its sleeve. These include a 33,000 sq ft office scheme in Bristol where funding is being sought. The group has also agreed terms to acquire two sites—to the west and south west of London—where two retail developments are planned, totalling £6m. In addition Raglan has won planning permission for an 80,000 sq ft district shopping centre at West Yorkshire Industrial Estate.

Meanwhile the group is now looking at ways to improve its asset base and new moves are promised by Mr David Anderson, Raglan's chairman.

Financial details, Page 22

هكذا من الأصل

The Original Washington



The capital location for industry and commerce in the North East of England

For details phone Norman Batchelor, Washington Development Corporation, Tel: (0632) 463591

MODERN WEST END OFFICE SUITES TO LET

All with modern amenities including Lifts, Central Heating, Carpets, etc. Available for immediate occupation.

Pall Mall SW1 1,575 sq.ft

Haymarket SW1 2,100/3,100 sq.ft

Norris St. SW1 3,685 sq.ft

Welbeck St. SW1 1,325/2,870 sq.ft

Panton St. SW1 1,700/3,830 sq.ft

For details of these and other offices currently available, contact Sole Agents

DE & J LEVY 01-930 1070

Estate House, 130 Jermyn Street London SW1Y 4UL Telex: 267761

BUILDING FINANCE

Sunley Holdings, incorporating Bernard Sunley and Sons, Building and Civil Engineering Contractors, are able to offer up to 100% construction finance for viable projects in excess of £½ million. Contracts would be negotiated and full design services are available, if required, for maximum economy and speed.

Please contact

Financial Director, Sunley Holdings Ltd. 79 Park Street, London W1.

Provincial Fashion Group of 5 Shops

Turnover 1·25 Million

Capable of Substantial Improvement

Premium £120,000 cash

Principals only apply to:

Box T5554, Financial Times 10 Cannon Street, EC4P 4BY

WARRINGTON The logical choice

Debenham Tewson & Chinnocks 01-408 1161

Melford Court Warrington

Superb new warehouse buildings

To Be Let

Units from 3,050 sq ft to 7,700 sq ft (or in combinations)

Sovereign House Eastbourne

A modern detached office building. Comprising approximately 8,300 sq. ft. of net floor space situated in the prime commercial area close to Eastbourne main line station (Victoria 85 minutes).

TO LET
only £4 per Sq ft

The property is arranged on four floors and incorporates the following features.

- Passenger lift.
- New carpeting throughout.
- Central heating.
- Suspended acoustic ceilings.
- 20 line PABX telephone system.
- On-site parking for 14 cars.

Joint Sole Agents

Healey & Baker

29 St. George Street, Hanover Square, London W1A 3BG 01-629 9292

OFFERS INVITED FOR UNIQUE 6 ACRES OF PROPERTY WITH MAIN DUAL CARRIAGEWAY FRONTAGE A2 - DOVER/LONDON
(6 miles Dover, 6 miles Canterbury)
Long established Hotel with permitted Motel site. Unlimited potential suitable for many other developments including medical consortium etc. Secondary road frontage at rear. *Apply:*
PETER SYMMONS & CO.
Chartered Surveyors
46/47 Chancery Lane
London WC2A 1JL

FACTORIES AND WAREHOUSES

S.E. LONDON
New Warehouses/ Factories
6,88/13,774/20,661 sq. ft.
READY NOW - TO BE LET
BIG FINANCIAL INCENTIVES
Tel: 01-248 6047
01-629 8501

1.25 MILLION FREEHOLD 10,000 sq. ft. factory Whouse plus 9,600 sq. ft. offices. 7 years old. 2 9 acre site. MAY LET. Wilsons, 5 Spencer Parade, Northampton. (0604) 22817.

FACTORY PREMISES. L'I or W/house, poss. short let, up to 7'000 sq. ft. Molesey: 01-941 2555.

SHOPS AND OFFICES

STROUD, GLOS
2 New Office Suites with car parking.
TO LET
2,500 sq.ft. each
LALONDE BROS & PARHAM
Telephone 0272-290731

SPACEBANK
On behalf of
Drake International Business Centres
Spacebank can offer accommodation to suit your requirements in a fully furnished and serviced office complex in Regent St., W.1. Services include: Multi-lingual Secretaries, Word Processing, Prestige Reception, Telephones & Telex.
Same day occupation with no legal costs.
36 Sackville Street, London W1X 1DB
01-734 5043

SPACEBANK
Two Fully Furnished and Serviced Office Developments
VICTORIA, SW1. FLEET ST. EC4.
Luxury, yet cost effective accommodation providing Fully Furnished and Serviced offices which include receptionist, telephone, telex, secretarial services and boardroom. To view either of these prestigious office complexes contact — Spacebank Ltd., 36 Sackville Street, London W1X 1DB.
01-734 5043

ADKIN & CO.
TO LET
MODERN BANK/OFFICE BUILDING
2860 sq ft on ground & 2 upper floors
Prestigious Town Centre position in Abingdon, Oxon
Easy links to M4, M40
and Major Commercial Centres
Offers for Annual Rent invited
For further Details apply.
ADKIN & CO.
10 High Street, Abingdon, Oxon
Tel: 0235 26080

TWO STOREY unique freehold business premises, offering many uses. South Coast yachting centre, close river. Write Box T 5559, Financial Times, 10, Cannon Street, EC4P 4BY.

London Bridge
Capital House
Excellent Modern Offices
2,900-24,000 sq.ft.
To Let

Jones Lang Wootton Chartered Surveyors 01-638 6040

G L Hearn & PARTNERS 01-407 5321

---

5 Prime Fashion Shops

London Area

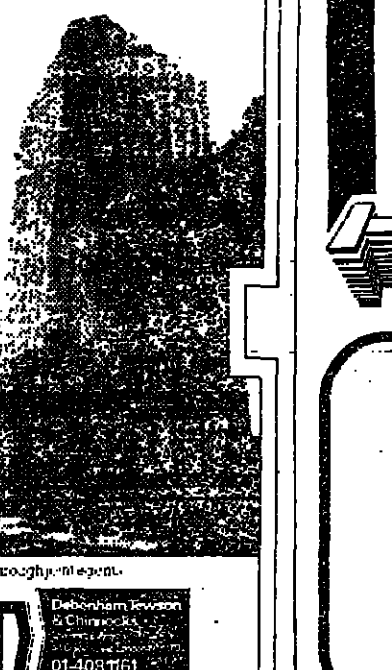
1¾ Million Turnover

£330,000 premium

Principals only apply to:

Box T.5556, Financial Times 10, Cannon Street, EC4P 4BY

EIGHTH FLOOR TO BE LET



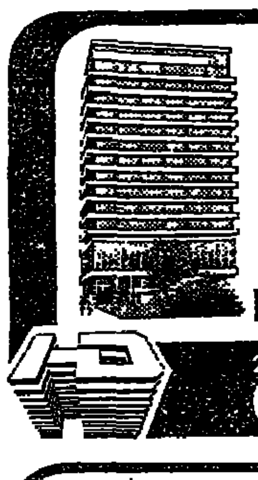
6,700 sq ft

Windsor House, 50 Victoria Street, London S.W.1.

Strictly by appointment through the agents

J W & P Johnson, Wright & Partners, 11 ... Telephone: 01-236 8816

Debenham Tewson & Chinnocks 01-408 1161



ENTIRE GROUND & FIRST FLOOR

OFFICES TO LET

10,500 sq. ft.

Superb position overlooking Thames at Westminster

Parking. Part Air Conditioned etc

Henry Davis & Co.

23 St.Swithin's Lane EC4N 8EN

01-626 8944

CHANCERY HOUSE

CHANCERY LANE WC2

Modernised Office Suites

550 sq.ft. 2,400 sq.ft.

Car Parking

DE GROOT COLLIS 309-310 HIGH HOLBORN LONDON WC1V 7LX 01-831 7651

INTERNATIONAL PROPERTY

MONTREUX

YES, YOU CAN RETIRE NOW IN SWITZERLAND
WHERE THE FUTURE LOOKS GOOD

MONTREUX most fashionable of towns nestling on the shore of **Lake Geneva.** Comfortable temperate climate all year round. Only 45 minutes from **Geneva Airport.**

We have **The Best in Freehold Luxury Properties** overlooking the lake for your new lease of life and **First Class Secure Investment.**

Please contact Mrs. Luisier or Mr. Marich on 010 41 25/35 35 31 for details or telex 456 213 GESE CH

WHERE BETTER TO START A NEW LIFE IN RETIREMENT

Immobiliere de Villars SA PO Box 62 1884 Villars-s/Ollon, Switzerland.

Palm-Aire

WELCOME TO THE OPENING OF OUR NEW SALES AND INFORMATION CENTRE AT SWISS COTTAGE, LONDON

Presenting Florida's finest resort communities on the east and west coasts.

The World of Palm-Aire, Pompano Beach, (east coast): Condominium homes overlooking five 18-hole golf courses, 37 tennis courts, social centre. With a resort hotel, world-famous health spa and private beach club. (Priced from the mid-forties)

Del-Aire Golf Club, Delray Beach, (east coast): With a limited membership country club and luxury estate homes on a private championship golf course. (Priced from just over £100,000)

Palm-Aire Country Club, Sarasota (west coast): Condominiums and homes on 1800 acres, with two championship golf courses, racquet club and country club. (Priced from the mid-forties)

Delray Oaks West, Delray Beach, (east coast): Condominium apartments bordering a private lake, with tennis and swim club. (Priced from the low forties)

For more information on real estate, The Spa and golf holidays, contact Leon Marin. Phone: 01-586-5128/01-586-2011. Write, or stop by, Monday-Friday, 9-5.30.

7 Regency Parade, Finchley Road, Dept. FT London NW3 5EG (Adjacent Swiss Cottage Odeon & Underground Station)

fpa Corporation an American Stock Exchange Company

Virginia

Farms, Country Homes and Farming Estates

Brochures available on Virginia farms and estates of character; resumé of first quality agricultural properties forwarded by request.

Professional, experienced management offered by this firm.

Frank Hardy, Inc. Realtors, Farm and Estate Brokers, Interrnational ... 804/296-0134 TELEX/TWX 5105873105

FOR SALE PRIVATELY OWNED SOUTH SEA ISLAND

App. 49½ acres, about 2,500 x 1,300 ft. situated ¼ mile off Caribbean coastline of Panama. 7 miles N/E from Colon harbour. Medical facilities available in Colon (3 hospitals). Humidity and water temperature similar to Bahamas. Ideally suited for development. No danger of flooding. Lush vegetation, sandy beaches, coral reefs, clear water.

Price: £200,000

Write Box T.5557, Financial Times 10, Cannon Street, EC4P 4BY

VERBIER-SWITZERLAND

We have a wide range of studios and apartments in this famous resort, all authorised for sale to non-Swiss citizens. From SFr82,000. For property list contact: HILARY SCOTT TRAVEL & PROPERTY 422 Upper Richmond Road West London, SW14. Tel: 01-876 6555 Telex: 934386.

PRIME MANHATTAN OFFERINGS

(1) Park Avenue (38th St.) Small vacant Mansion. Asking $2.5 million, $1 million cash.

(2) East 30th St. (Madison-Park) 8,500 square feet, office building 60% vacant—rest in one year. $1 million. $650,000 cash.

Principals only.

Call owner Mr. Hirsch 212-922-1246. Telex 333863.

U.S. AGENT WANTED

N.Y. commercial real estate firm specialising in investment properties seeks experienced aggressive, self-starting UK representative. High commission.

Schick Realty International, 392 Fifth Avenue New York, NY 10018, USA Telex: 422712 Shik U

CALGARY CANADA-OLYMPICS '88

Holly Haven Ranch $735,000

640 acres serviced recreational property. 7 acres lakefront. Access to Olympic site & Banff park. 1,188.5 acres leasehold adjacent to property. Contact: HOLLY MANAGEMENT LTD. 210, 925—14th St. N.W. Calgary, Alberta T2N 2A7. Ph. (403) 283-0736

1,600 SQ. FT. NEW PLUSH CONDOMINIUM

directly on wide, white Atlantic beach. 3 bedrooms, 2 baths, completely, exquisitely furnished. Relax in pleasant, safe Florida. Pool, tennis, garage. Five neighbours are chairmen of board. Others professional and medical. $160,000. Write E. Lins, 7580 Northfield Lane, Manlius, New York 13104, U.S.A. Call: (315) 682-4060

CHOICE RURAL PROPERTIES in southern U.S. Excellent farm and timberlands available, 100-1,000 hectares. Phone: Lloyd, (404) 396-7438.

COSTA DEL SOL—Luxury Beach Apartments and Houses in quiet uncrowded residential area away from tourists. 4 acres and tower blocks, etc., but easy access to city and airport. Available for immediate occupation. Prices from £30,000 to 90% over 20 years. Villas built from £25,000. Write or phone ... Compton-Mills & Co. ... 01-226 0203.

FOR ISLANDS LOVERS—A selection of properties on the islands of ... and Falkland Islands ... from £20,000 to £50,000 ... Inclusive ... phone TODAY: Vorence Ltd, 33153 North Street, Horsham, Sussex, RH12 1RN. Tel: Horsham (0403) 66736. Member of the Federation of Overseas Property Developers, Agents and Consultants.

FOR INVESTMENT

FOX & SONS

LYMINGTON HAMPSHIRE HOLIDAY FLATS

Block of 4, spacious, purpose built, 3 year old, south facing flats (sleep 6/10 each) with individual terraces/balconies, on New Forest coast near Bournemouth. Lettings arranged locally £10,000 p/a. £2,500 l/h each.

95 High Street, Lymington, Hants (0590) 75025

55 OFFICES

WEST MIDLANDS — Freehold industrial investment, 130,000 sq. ft. with 5 acres additional land. Income £140,000 p.a. with potential for £130,000 p.a. in near future. Major and expanding first class covenant. For ... Edwards Bigwood & Bewlay ... 021-233 ...

WANTED

WE URGENTLY require Commercial and Residential Property Investments anywhere in the U.K. ... Details ... Gouds ... 01-723 3676.

PAPUA NEW GUINEA ELECTRICITY COMMISSION

EXCELLENT COMMERCIAL PROPERTY FOR SALE

BOROKO SHOPPING CENTRE

PORT MORESBY, PAPUA NEW GUINEA

A rare opportunity exists for the purchase of an excellent commercial site which could be used in its present situation or could be re-developed and used for office space, shopping complex or accommodation.

Boroko is the largest suburb in Port Moresby. *Papua New Guinea, and is a rapidly expanding commercial and retail centre* situated four (4) miles from the heart of the capital and the nearest sea port. Papua New Guinea is situated off the northern coastline of Australia and has a population of approximately three (3) million people. This small independent nation has exciting prospects of development through the exploitation of its natural mineral wealth and its reasonably convenient geographical situation to both the east and west.

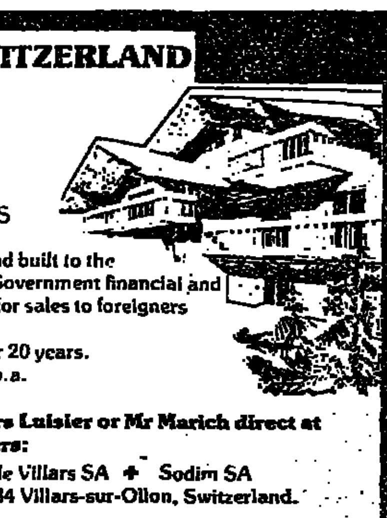
The parcel of land is approximately 12,200 sq.m., extending from the Hubert Murray Highway through to Angua Drive. The land is currently developed with 17 buildings of varying sizes and construction, currently being used as offices, workshops and storage, with a total area of approximately 4,500 sq.m. The land will be sold with vacant possession.

Tenders for the sale of the land will close at 2.30 pm on Wednesday 18 November 1981.

Further information and tender forms may be obtained by applying in writing to:—

Messrs. Young & Williams,
P.O. Box 21,
PORT MORESBY, PNG.

SWITZERLAND



VILLARS LUXURY PROPERTY FOR SALE EXCLUSIVELY FROM THE OWNER BUILDERS

Most elegantly designed and built to the highest standards. Swiss Government financial and legal regulations fully met for sales to foreigners residing abroad.
Mortgages: up to 70% over 20 years.
Interest rates: *from* 7¾% p.a.

Please contact Mrs Luisier or Mr Marich direct at the Owner-Builders:

Immobiliere de Villars SA + Sodim SA
P.O. Box 62, 1884 Villars-sur-Ollon, Switzerland.

Tel: 010 41 — 25/ 35 35 31

Escape to the out islands of Florida's Suncoast ... Tierra Verde

Castillo Del Sol

Available now at pre-building prices ... from $215,000.(US Funds).

24 luxury fitted flats overlooking the Gulf of Mexico each with its own mooring & whirlpool

For information write to:_ Dept. FT 1,
Tattler Realty, Inc., P.O. Box 1356, Clearwater, Florida, U.S.A. 33517
Or, visit us at Stand 19 Florida Home Expo, Parklane Hotel, London, October 28th - 30th.

ATHENS - HOTEL

A modern Tourist Class Hotel of 80 rooms, all with air conditioning, private bath, balcony and full amenities.

FOR SALE FREEHOLD

Sole Agents **Walker Son & Packman** Chartered Surveyors Established 1857

64-65 GROSVENOR STREET, LONDON W1X 0BB
TEL: (01) 493 2142 TELEX: 21284 G

هكذا من الأصل

Industry help to sell a town

BY ANTHONY MORETON

WHEN YOU live in the shadow of larger or more affluent neighbours it is difficult to make a mark on the world. It is a continuous struggle to convince people—ministers, civil servants, directors, industrialists—of your particular problems and needs.

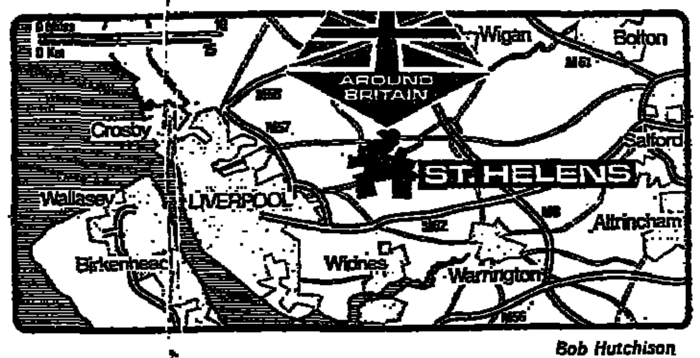
This is the situation which confronts St Helens. Just across the road to the west is Liverpool, with its well-publicised problems and the centre of attention of everyone from Mr Michael Heseltine, Secretary for the Environment, down. Just to the south is the new town of Warrington, which can spend on a single advertising campaign more than St Helens can put aside for promotion in a single year.

Yet St Helens' problems are as real and as large as those to be found elsewhere in Merseyside, of which it is a reluctant member. Local government reorganisation in 1974 put the borough in the then new metropolitan county but to this day most of the people consider themselves to be Lancastrians.

St Helens' difficulties have come late in the recession. At the start of last year its unemployment was a high but containable 8.5 per cent. In the intervening 21 months that has shot up to over 17 per cent. And this at a time when the Government has taken away assisted area status from part of the borough and downgraded almost all the rest to development areas.

The result is that there are now over 13,000 people without work and there are more to come—at least 450 before Christmas. Many of those will never get their jobs back even if the boom were to come tomorrow. At Pilkington for instance, the company has introduced a new flow line which needs 450 people to man it in place of the previous 1,350. The pace of technological change will leave a permanent scar on St Helens and places like it.

But St Helens is not taking all this lying down. It is sending out the message that the town is a good place in which to do business. It is pointing to its good record on industrial relations—only one major strike (nine years ago) in the town in the last century—and to the involvement of all levels of the community in its future.



Bob Hutchison

It is this community togetherness which is the central theme of a campaign—Freeman of St Helens—launched at the end of last month which aims to complement the work of the St Helens Trust set up three years ago.

The Freemen campaign is designed to bring in industry to help the council sell the town. That assistance can be financial or it can be in kind—providing specialised staff, premises or counselling services for instance.

Already 18 of the leading firms in the town, led by Pilkington and including Beecham, BICC, Carborundum, Rockware Glass and U G Glass Containers, have pledged themselves to support the programme.

The St Helens Trust was set up three years ago, under its director Mr Bill Humphrey, to help bring in new investment by getting those already in the town to tell prospective newcomers as well as potential start-up operations, what the town offered and how to get what the firm wanted.

Its function, which includes helping existing industry, is to provide advice on finance, to offer a consultancy service, to guide on premises and offer help on training. It does this with a staff of four—two of whom are bankers seconded by the Big Four — but it can tap the resources of all the companies in the town.

The trust has just given advice to its 1,000th client. It has helped in the creation of 600 jobs and believes that as many more are in the pipeline. In addition, the town believes that other policies have led to the creation of 1,350 jobs.

This is very encouraging but it has to be set against the 6,500 jobs which have disappeared in the last 21 months alone.

One of the most interesting, and perhaps most important, things to emerge from the work of the trust is that approximately one in 10 of the clients who have sought its advice have actually started their own businesses. And a slightly smaller, but still significant, proportion have expanded their own businesses as a result of a talk with Mr Humphrey or one of his associates. This sort of result must be very encouraging in a town with such a high unemployment rate.

On top of this it is thought that another 15-17 per cent of the clients have put on workers, though it is not possible to be certain because no follow-up action has been necessary.

About £5m has been committed for investment from all sources by clients of the trust and on top of that property development by the public and private sector has amounted to outlays of at least another £2.5m.

Industry-community involvement such as this is not the end of the story in St. Helens. Pilkington has put £2m into Rainford Venture Capital to get young businessmen over the hump of under-capitalisation. Pilkington is a perfect example of how a company which has an important role in the local economy—it employs more than 10,000 people—can put something back into the community. Pilkington does not shout out what it is doing but there is no doubt that its strong involvement gives a lead to other firms.

Rainford Venture Capital looks for projects into which it can inject between £50,000 and £250,000 in equity capital. It is looking for potential multi-million businesses with the only promise that they must be in St. Helens.

So far it has found two out of some 300 applicants. But it will find more because there are a lot of new firms emerging in the town.

What St. Helens is showing is that it is possible for industry and the community to work together harmoniously for the benefit of everyone. It helps if there is one company, especially a company important in terms of the local economy that can give a lead. There are many other localities that could follow the example of St. Helens to the benefit of all sections of the community.

RACING

BY DOMINIC WIGAN

Simply Great looks best

IT IS not so much what Simply Great beat in his maiden race but the manner in which he achieved his victory which tempts me to think he can repel Ireland's Raconteur in today's Dewhurst Stakes.

The Warren Place colt and *the twice-rated challenger from* Cashel should have the finish to themselves in today's nine-runner renewal of the Group I William Hill prize, which has so often fallen to O'Brien's stable.

Simply Great, whose name had been on many work watchers' lips long before such tough stablemates as Cajun and Custer began to make their mark, proved that he was none the worse for a severe outburst of spots when he made his long-delayed debut at the last meeting at Newmarket.

Looking harder in condition than had been rumoured, the light bay son of Mill Reef was in total command of proceedings in the opening division of the Westley Stakes from some way out. However, it was only at the Bushes that Piggott eased him into third gear, asking no more than was strictly necessary.

Simply Great achieved little on paper in accounting for a generally backward field of maidens headed by Century City, Pearl Wedding's son, but he accomplished his task convincingly. Indeed, such was the impression of untapped power as his long stride took him clear that it appeared he could have won by a couple of dozen lengths, had Piggott so wished.

I expect Simply Great to pass today's acid test with a clear-cut success over The Minstrel's almost equally highly rated son, Raconteur. Last time out, this Robert Sangster representative outclassed a field of maidens at the Curragh to win by eight lengths.

Reg Hollinshead picks up a competitive handicap at Newmarket from time to time, and it would not surprise me to see Priory Lane do the trick for him in the closing Melbourne Handicap over the Rowley Mile. The tall Martinmas colt, formerly trained by Stan Mellor, is well in with 7 st 7 lb.

NEWMARKET
3.35—Simply Great**
4.05—Hampton Bay*
4.35—Priory Lane ***

TELEVISION

Chris Dunkley: Tonight's Choice

The evening belongs to BBC-2, starting with Gardeners' World which we now discover from the new BARB all-channel ratings list features regularly in BBC-2's own Top 10. It's not surprising: the exercise of great expertise in anything practical has always made good television, and gardening (tonight Geoff Hamilton demonstrates a different method of training raspberries) is an archetypal example. Then, in a "semi-dramatised" programme called Thank You P. G. Wodehouse Barry Norman presents a celebration of the man who gave us Bertie Wooster and Jeeves, with Michael Hordern supplying the voice of Wodehouse.

Nine o'clock brings "another chance to bone up on the bits you don't quite know by heart yet from the previous three series" in An Eighth Chance To See Not The Nine O'Clock News, followed by the second in the **Prisoners Of Conscience** series. Today's prisoner is Nelson Mandela who was 44 when sent to prison in South Africa. Today, still behind bars on Robben Island, he is 63.

He is not the first man to remain the focus of his people while in prison: in Rhodesia Muzorewa emerged to become president of a renamed country. Furthermore in Begin we have a premier who is an admitted former terrorist leader, so Mandela's bombings would hardly be unprecedented if he ever gained political power—but in South Africa the chance looks remote.

BBC 1

6.40-7.05 and 7.30-7.55 am Open University (Ultra High Frequency only). 9.00 For Schools, Colleges. 12.30 pm News After Noon. 12.57 Regional News for England (except London). 1.00 Pebble Mill At One. 1.45 The Flumps. 2.02-3.00 For Schools, Colleges. 3.20 Pryderin Fechan. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 The New Shmoo. 4.50 Crackerjack. 5.35 Willo the Wisp.

5.40 News.
6.00 Nationwide (London and South East only).
6.22 Nationwide.
6.45 Sportswide.
7.00 *It's A Knockout.*
8.15 Rosie.
8.45 Points of View.
9.00 News.
9.25 Starsky and Hutch.
10.15 On The Town (London and South East only).
10.45 News Headlines.
10.50 The Late Film: "Country Dance," starring Peter O'Toole.

BBC 1 VARIATIONS: Cymru/Wales—12.57-1.00 pm News of Wales. 1.45-2.00 Bys A Bawd. 2.35-2.55 I Ysgolion. 4.50 Screen Test. 5.15-5.35 Gari Gyliler. 6.00-6.22 Wales Today. 7.00 Heddiw. 7.15 Deigryn Yn Y Llwch. 7.45-8.15 Grace Kennedy. 10.15 Week In Week Out. 11.05 News of Wales Headlines. 11.06-12.46 am The Late Film: "A Professional Gun."

Scotland — 11.00 - 11.20 am For Schools. 12.55-1.00 pm The Scottish News. 6.00-6.22 Reporting Scotland. 10.15 The Beechgrove Garden Roadshow. 10.45-10.50 News for Scotland. *National News.*

LONDON

9.35 am Schools Programmes. 12.00 The Learning Tree. 12.10 pm Once Upon A Time. 12.30 Women Rule OK. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Taff Acre. 2.00 After Noon Plus: An appreciation of P. G. Wodehouse, marking the centenary of his birth, in which Benny Green talks to Elaine Grand and Auberon Waugh talks to Simon Reed. 2.25 Conservative Party Conference. 3.25 Racing from Newmarket. 4.15 Porky Pig. 4.20 Storybook International. 4.45 Spectrum. 5.15 White Light: The use of drugs is discussed by Martin Mitchelson, Doctor Andrew Tyler, youth councillor, and a White Light audience.
5.45 News.
6.00 *Thames News* with Andrew Gardner and Rita Carter.
6.30 Thames Sport: Derek Thompson and Susan King join with Allan Taylor and Simon Reed to reflect the capital's sporting scene.
7.00 The Amazing Spiderman.
8.00 Bruce Forsyth's Play Your Cards Right.
8.30 Kinvig.
9.00 Strangers.
10.00 News.
10.30 Soap.
11.00 The London Programme.
11.35 Thriller: "The Killing Game," starring Ed Byrnes.
12.45 am Close: Personal Choice with Brian Rix.
† Indicates programme in *black and white*

BBC 2

6.40-7.30 am Open University.
9.30 Conservative Party Conference.
11.00 Play School.
11.25-12.00 and 2.25 pm Conservative Party Conference.
4.50-5.15 and 6.30-6.55 Open University.
6.55 Something Else.
7.35 *News Summary.*
7.40 Gardeners' World.
8.05 Thank You, P. G. Wodehouse.
9.00 An Eighth Chance to see Not The Nine O'Clock News.
9.25 Prisoners of Conscience.
10.15 Revolting Women.
10.45-11.45 Newsnight.

All IBA Regions as London except at the following times—

ANGLIA
1.20 pm Anglia News. 2.00 Houseparty. 5.15 Bygones. 6.00 About Anglia. 10.30 Side by Side by Swinfield. 11.00 Anglia Late News. 11.05 Members Only: Report on the week's events at the Conservative Party Conference. †11.35 Friday Late Film: "The Dunwich Horror," starring Sandra Dee and Dean Stockwell. 1.10 am Window on the World.

ATV
1.20 pm ATV News. 5.15 Diff'rent Strokes. 6.00 ATV Today. 8.00 WRKP in Cincinnati. 10.30 Kinvig. 11.00 ATV News. 11.05 Thriller: "The Carnation Killer."

BORDER
1.20 pm Border News. 5.15 Bygones. 6.00 Lookaround Friday. 6.30 That's *Hollywood.* 10.30 Benny Hill. 11.00 Hagen. 12.00 Border News Summary.

CHANNEL
1.20 pm Channel Lunchtime News, What's On, Where and Weather. 5.15 Mork and Mindy. 6.00 Channel Report. 6.30 Link Up. 10.28 Channel Late News. 10.35 Soap. 11.05 Friday Late Night Movie: "The Mind of Mr Soames." 12.45 am News and Weather in French.

GRAMPIAN
9.30 am First Thing. 1.20 pm North News. 5.15 Happy Days. 6.00 North *Tonight, including Sports Desk.* 10.30 Points North. 11.30 SPGA. 12.20 am North Headlines.

GRANADA
11.50 am The Bubblies. 1.20 pm Granada Reports. 2.00 Live from Two. 5.15 Survival. 6.00 Granada Reports. 6.30 Kick Off. 8.30 Bless Me Father. 10.30 Union World. 11.00 Soap. 11.30 "Hammerhead."

HTV
1.20 pm HTV News. 5.15 Bless Me *Father. 6.00 Report West. 6.30 Laverne* and Shirley. 10.28 HTV News. 10.30 Report Extra. 11.00 pm "Virginity," starring Vittorio Gassman.

HTV Cymru/Wales—As HTV West except: 10.48-11.03 am Y Byd A'i Bethau. 11.34-11.49 About Wales. 12.00-12.10 pm Ffalabalam. 1.30-2.00 Under Manning. 4.15-4.45 Lawr Yr Afon Tano. 6.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 Taff Acre. 10.30-11.00 Outlook.

SCOTTISH
1.20 pm News and Road and Weather. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 *Hear Here.* 10.30 *Benny Hill.* 11.00 That's Hollywood. 11.30 SPGA highlights. 12.15 am Late Call.

SOUTHERN
1.20 pm Southern News. 2.00 Houseparty. 5.15 Here's Boomer. 6.00 Day by Day. 6.00 Scene South East (South East area only). 6.30 Out of Town. 10.35 Wheels. 11.05 "The Love Machine."

TYNE TEES
9.20 am The Good Word. 9.25 North East News. *1.20 pm North East News* and Lookaround. 5.15 Mickey, Donald and Friends. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North East News. 10.32 Thriller: "Dial A Deadly Number," starring Gemma Jones. 12.00 Paris by Night. 12.30 am Poet's Corner.

ULSTER
1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Survival. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Witness. 10.35 Lou Grant. 11.30 Bedtime.

WESTWARD
12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Mork and Mindy. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 Soap. 11.05 Friday Late Night Movie: "The Mind of Mr Soames." 12.45 am Faith for Life. 12.50 West Country Weather, Shipping Forecast.

YORKSHIRE
1.20 pm Calendar News. 5.15 Here's Boomer. 6.00 Calendar (Emley Moor *and Belmont editions*). 6.30 Calendar Sport. 8.30 George and Mildred. 10.30 Soap. 11.00 The Friday Night Film: "The Lady in the Car with Glasses and a Gun."

RADIO

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.45 Roundtable. 7.00 Andy Peebles. 10.00-12.00 The Friday Rock Show (S).

RADIO 2
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S) including Racing at Newmarket. 4.00 David Hamilton (S) including Racing at Newmarket. 5.45 News: Sport. 6.00 David Symonds with *Much More Music (S). 8.00 Friday* Night is Music Night (S). 10.00 Doddy's Different Show with Ken Dodd. 10.30 The Bing Crosby Show. 11.00 Brian Matthew with Round Midnight. 1.00 am Trucker's Hour (S). 2.00-5.00 Two's Company (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (cont.). 9.00 News. 9.05 This Week's Composer: Mozart (S). 10.00 Jill Gomez at Cheltenham (S). 11.25 The Baroque Tradition (S). 12.25 pm BBC Northern Symphony Orchestra Concert, part 1 (S). 1.00 News. 1.05 Concert, part 2 (S). 1.45 1981 Cheltenham International Festival *of Music (S). 3.15 Stravinsky (S).* 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.55 Play It Again (S). 7.00 The Quest of the Golden Girl. 7.30 Miriam Fried and Garrick Ohlsson from the Broadcasting Centre, *Birmingham*, part 1: Schubert, Ned Rorem (S). 8.10 Yorktown: A Meditation on Victory and Defeat. 8.30 Recital, part 2: Beethoven (S). 9.15 Music In Our Time (S). 10.30 The Great Wall of China by Franz Kafka. 11.00 News. 11.05-11.15 Franz Xaver Mozart (S).

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. *8.45 Wodehouse: "Bring on the Girls."* 9.00 News. 9.05 Desert Island Discs. 9.45 A Sideways Look At . . . 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Prisoner of War. 11.50 Natural Selection. 12.00 News. 12.02 pm You and Yours. 12.27 The Senior Partner. 12.55 Weather; Programme News. 1.00 The World at *One. 1.40 The Archers. 1.55 Shipping* Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.05 Poetry Please (S). 4.15 Allergies. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 *The World Tonight. 10.35 Week Ending.* (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 The Archive Auction. 11.45 Late Music. 12.00 News.

THE MANAGEMENT PAGE

Engineers face uncertainties in Britain and West Germany. **Michael Dixon and Elgin Schroeder report**

Lack of jobs points to another brain drain

"THE TOTAL outflow of our engineers and technologists (to other countries) has almost doubled in the past six years and is now equivalent to a third or more of the average annual output of such people in recent years. This trend could have disastrous consequences for British industry and the economy within 10 to 20 years . . ."

Just 14 years after those words were published in the Jones Report on the so called Brain Drain, Britain's industry and economy are indeed in dire straits. But whatever the causes may be, the outflow cited by the Jones Inquiry is not one of them. Within a year, not least because of a tightening of U.S. immigration laws, the drain had become the merest seepage.

Today the problem is a shortage of work in the United Kingdom for the new engineers and technologists its higher educational institutions produce. From 1975 to 1980 their total output of such people rose by more than a quarter.

But although demand for engineers is far stronger than for new graduates of other kinds, the proportion gaining employment in the UK fell by over a tenth. The proportion believed not to have found jobs by December 31, six months after they graduated, rose by nearly two-fifths.

Moreover, demand by employers for people leaving universities and polytechnics in 1980—the latest year for which figures are available—was considerably stronger than is evidently the case this year.

The long forgotten warning of the Jones Committee is nevertheless worth recalling. While the trend it observed in the mid-1960s did not bring about the UK's economic decline, the country could well be prevented from taking full advantage of a recovery if the brain drain were to start again. And the signs are that it may well be doing so.

Besides the shortage in West Germany (reported on this page), there are indications of scarcity elsewhere. For a good while there has been a demand from America and Europe for British brains in bio-technology. The transatlantic pull could easily soon extend to less newfangled types of technologist given that new bachelor-level graduate engineers in the U.S. are now known to be getting starting salaries of $23,000 upwards in their very first job. Reports that French employers are in the market for young British engineers even if they do not speak French, also seem ominous.

In addition, if the brain drain started again it would be liable to be self-increasing. It has been shown in the past that the experience in the employment market of one year's graduates has a strong influence on those graduating in the next.

Given the current shortage of jobs for new engineers and technologists at home, more graduates than ever before will be actively seeking work overseas. Should they find a welcome, their success would readily be seen by succeeding classes of students as an exciting example to follow.

A further danger is that in most other countries engineering graduates have had at least four years of academic training, including more and better developed instruction in engineering practice than is given to their UK counterparts whose course in university or polytechnic usually lasts only three years.

Because of this there is a tendency for overseas employers to offer higher starting pay, and to be sedulous when recruiting British graduates in choosing only the very best. A renewed drain would probably be costly in quality as well as quantity.

It would also occur at a time when technological education in the UK is in great confusion. Again unlike many other countries, Britain treats education in engineering and technology as just one of several broad groups of subjects all taught in the same institutions.

It has to compete for resources with the other subject groups whose professors outnumber and often despise the heads of technology faculties. Their disadvantage in the political infighting which ultimately determines how the institutions distribute the money available will be exacerbated now that funds for higher education are falling.

It is true that the University Grants Committee has scheduled a 2 per cent increase to 33,100 in the total of students from Britain and other EEC countries to be shared among university engineering and technology faculties in 1983-84. This will not necessarily mean an increase in the output of graduates. The committee has privately suggested that rather than raise their intakes of new students to present courses, universities might lengthen the academic training of engineers to four years.

Since this has long been advocated by engineering professors, some universities will take up the option. The result will be to cut the output of graduates while making them more attractive to employers overseas.

The prospects of technological education in the polytechnics are simply unknown, since there is no machinery for central planning of the balance of subjects in the polys. Control of these is dispersed among the local education authorities of which there are 97 in England alone, and they are opposed to surrendering it to central Government.

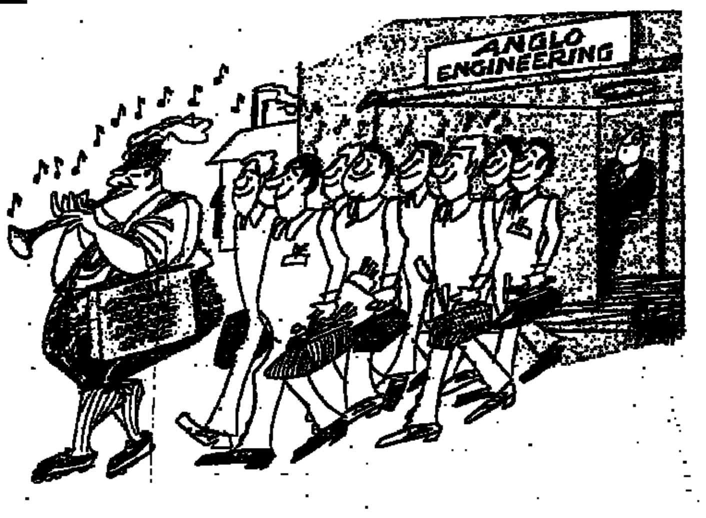
As public spending on higher education declines, the lack of co-ordination of polytechnics' activities is subjecting all their subject departments to a process which the State's educational inspectorate unofficially terms "random decay."

One cheering development is that Sir Keith Joseph, the Education Secretary, has appealed to the local authorities to leave in abeyance the issue of who would control the proposed permanent machinery for central management of degree courses outside universities, and join with central Government in setting up temporary means of co-ordination.

Since the short-term arrangement would exist not by law, but by compromise between its central and local partners, it could hardly take far-reaching measures. And such measures seem essential if technological education in the polytechnics is to be improved rather than at best being arrested in its decline.

It is surely alarming as well as ironic that less than two years after the Finniston Committee pointed out the vital importance to the UK of engineering education, it should have fallen into such a parlous state. Instead of expanding as Finniston urged, the "engineering dimension" in Britain appears to have dwindled still further.

M.D.



Reality is obscured by a dichotomy of opinion

ARE ENGINEERS becoming rare birds in West Germany? Is there really such a dearth of technicians—a profession which is of vital importance to the economy of a country dependent on the export of plant and capital goods—that future industrial growth is already endangered?

Many managers of big West German companies seem to think so, though there is a contrary belief, outlined in a recent government report, that any current shortage will prove to be temporary. Certainly technical subjects have been through a period of academic unpopularity, but there is some evidence of a reversal of this trend.

Manfred Lennings, head of Gutehoffnungshuette, Europe's largest mechanical engineering group, believes that West Germany's commercial performance is in jeopardy because of the shortage of qualified engineers. And Bodo Liebe, chairman of Kloeckner Humboldt-Deutz, the leading diesel engine manufacturer in the federal republic, complains that an acute increase "the acute deficit in engineers is creating serious problems for us."

There are other tell-tale signs. The weekend editions of the big national newspapers are full of situations vacant for qualified engineers, even in the holiday season. Even graduates fresh out of college can command starting salaries of DM 4,500 (£1,090) a month, so heavily does demand outstrip supply. In some sectors there is only one applicant for every four jobs on offer.

To help ease the situation the Federal Labour Office in Nuremberg is at present mounting a campaign aimed at luring engineers from other EEC countries to West Germany. Computer experts and construction, telecommunications and mechanical engineering specialists are most wanted.

Hans Schwier, the North-rhine-Westphalian minister for science and technology, warns against "letting things get to the point where we have to import not only cars, but also engineers, from Japan."

Most of the federations representing the technical professions are also sounding the alarm. Many estimate that this year there is a shortage of between 15,000 and 20,000 engineers. The VDA, the association of German electrical engineers predicts a gap of 2,000 electro-technicians by 1985 which will have widened to as many as 30,000 five years later.

Analysts at chambers of commerce, federations and enterprises alike are unanimous in blaming this state of affairs on the general hostility to technology of the younger generation which accuses engineers of causing all industrial evils. It is engineers who are made the scapegoats for environmental destruction, pollution, the squandering of raw materials and also for nuclear hazards.

These observers of the phenomenon contend that the West German school system is also at fault. The reform of the sixth form encouraged pupils to drop mathematics, physics and chemistry in favour of subjects for which they felt they could achieve good grades with less effort.

Furthermore, teachers tend to detract from the attraction of technical subjects by presenting technological developments simply as a means of generating greater affluence instead of interpreting them as part of a nation's cultural achievement.

Surplus

However, the VDI, the society of German engineers, sees no reason to panic. It says that no reliable forecasts are yet available on the likely demand for engineers in the decade to come. As recently as 1975 the Battelle Institute in Frankfurt forecast a surplus of 20,000 engineers by 1981 and 60,000 by the end of the 1980s.

Although the exact opposite has happened the Federal Education and Science Ministry is optimistic. In a recent report it explains that the shortage of engineers is hardly likely to continue, although it concedes that schools will have to strive harder to interest pupils in scientific problems.

The report lists the following trends:

- In the five years between 1975 and 1980 the proportion of engineering students in the total number of West German students fell from 22.6 per cent to 31.6 per cent—in other words, by one percentage point only. Meanwhile, this proportion has already gone up to 22.3 per cent, thanks to school-leavers' increased inclination to choose a technical career. The much publicised dearth of engineers has contributed to this change of attitude.
- If one assumes that engineers will continue to account for 20 per cent of each year's university and college graduates, today's total of 650,000 engineers will have more than doubled over the next decade. Even at a rough calculation, it seems obvious that the amount of young talent available will be at least double that of engineers retiring from professional life.

Thus, the report concludes, whether the number of engineers will be matched by jobs will depend chiefly on whether companies will need additional engineers. The outlook in the medium-term, the Ministry added, is favourable.

The reasons for this prognosis are, on the one hand, school-leavers' newly revived interest in engineering studies and, on the other, the fact that the baby-boom generations are now coming forward for training.

The report's findings are underlined by enrolment figures released by some West German provincial states. Hesse's Social Democratic Education Minister, Hans Krollmann, recently boasted that the number of applicants for places at engineering colleges in his state had increased by a quarter within a year. This term more than 5,000 engineering students wanted to enrol in Hesse alone. Over the past five years the number of engineering students in Hesse had increased by 20,000 to nearly 185,000, he said.

Meanwhile, initial results of a major survey into the reasons for young people's career choices, undertaken by University Information Systems of Hanover, throw light on the erstwhile decline in the number of engineers. Foad Kazem Zadeh, the Hanover project manager, feels that engineering studies are not less popular than others. He also prefers not to speak in terms of opposition to technology. "Scepticism about technology would be more to the point," he says. To his mind it is the forecasts themselves which are behind the fewer numbers of engineering students. Talk of an imminent surplus of 60,000 engineering graduates has discouraged would-be students, he explains, so they have opted for economics or sociology instead.

E.S.

Executive pay off the boil

BRITISH managers' salaries have suffered their first real fall in four years, according to figures just published.

In the year to July 1, 1981, their pay, after tax but excluding social security contributions, increased by 9.7 per cent to an average £11,053. Against this the rise in the Retail Price Index over the period was 10.9 per cent.

Taking a four-year view, however, their take-home pay has kept well ahead of inflation. Over this period their net salaries jumped by 90 per cent while the RPI rose by 62 per cent.

These figures,* compiled by Inbucon, the management consultants, cover a wide range of management functions, including general management and administration, accounting, production, distribution, purchasing, sales/marketing and research and development. More than 600 companies employing over 7,500 executives were surveyed, making the study one of the most extensive, and comprehensive, available.

While salaries have suffered, fringe benefits are on the increase. The Inbucon survey found, for example, that more managers are getting the full use of a company car—in spite of the tax on perks. In 1980-81 nearly three-quarters of all executives had company cars, compared with just over 60 per cent in 1976.

Forty two per cent of executives who earned up to £10,000 a year had a company car, while for those earning over £10,000 the figure was 85 per cent.

The survey also showed that 60 per cent of executives received free medical insurance and roughly 8 per cent had access to low interest loans.

The trend towards longer holiday entitlement continues. Just under half of all managers now get at least five weeks annual leave, compared with 20 per cent in 1975.

In contrast, bonus payments continue to decline—no doubt because of the recession. In 1980-81 cash bonuses were paid to only 36 per cent of all managers—a 3 per cent fall over the previous year and nearly 20 per cent down on 1979.

Breaking down the remuneration of each managerial grade, the survey found that managing directors—average age 50 with company service totalling 17 years—earned an average of £25,835 while directors other than these were paid £18,688.

At levels below directors, financial executives earned an average £14,585 and cost accountants £10,078. Chief engineers were paid £11,342 while production executives responsible for more than one site earned £16,961. Those who controlled a single site were paid £12,691.

Purchasing

As in previous years, company secretaries in public companies had the highest average annual salary of any group of executives apart from managing directors and general managers. Their average income was £17,453.

Elsewhere, personnel executives ranged from £12,225 in companies employing less than 250 people to £27,161 in companies employing 10,000 and more, with the average being £14,428. Training executives earned £13,042, heads of work study £9,598, purchasing executives £11,235, sales executives £14,010 and data processing chiefs £13,590.

**Survey of Executive Salaries and Fringe Benefits, available from Inbucon Management Consultants, 197 Knightsbridge, London SW7. Price £90.*

Arnold Kransdorff

Cinema

A Tale of Two Centuries

by NIGEL ANDREWS

The French Lieutenant's Woman (AA) — Odeon Haymarket

Honky Tonk Freeway (AA) — ABC Shaftesbury Avenue

Goodbye Pork Pie (AA) — Classic Haymarket

Loving Couples (AA) — Leicester Square Theatre

Tattoo (X) — Ritz

John Fowles's novel *The French Lieutenant's Woman* shook Victorian literature boldy by the heels until all the small change fell out of its pockets. Fowles's book was a daring and unlikely folly—a pastiche 19th century romance written with a 20th century sensibility and allusions—that succeeded by a kind of scientific surrealism. In his tale of a "fallen lady" of Lyme Regis, who though stigmatised by society at large for a past romance (of hazy authenticity) with a French officer finds her aura of "sin" magnetising a rich young man into a quite un-hazy *amour fou*, Fowles both plumbed and poked perceptive fun at an era's essence. Fowles shook out the ephemera of Victorianism by a process of hindsight irony and insight. The passing tics and tropes were winnowed out, the enduring truths found and highlighted.

Karel Reisz and Harold Pinter, director-writer duo of the film, have taken on the task of translating Fowle's ding-dong dialectic between the centuries into the digestible realities of a narrative feature. The film has the bravest dart imaginable and ends up standing tiptoe on the brink of triumph. Fowles's story, in addition to peppering its Empire prose with modernist references, throws in the daring dualism of *two* alternative endings, one "happy," one "sad." (Will heroine Sarah keep her man? Won't she?) Reisz and Pinter have found an ingenious movie equivalent. They've intercut two separate stories, one Fowles's period romance, the other a modern run-along tale about the two lead players in a *film* being mde of the novel.

One moment Meryl Streep her Bernini face of a glacial Muse cowled against the rain and wind, is Victorian Sarah, gazing out to a hostile sea in her daily vigil of awaiting her lover's return. The next she is 1980s Anna, sloughing the statuesque in a whirlwind off-set romance with leading man Mike. Co-star Jeremy Irons is likewise double-parted, playing both beardless, callow Mike and his 1860s ancestor, well-whiskered rock collector Charles Smithson lured onto the rocks of a "scarlet woman's" love.

The film is a tremendous pounce at the near-impossible—how to translate to celluloid a novel of ideas, a Tale of Two Centuries whose insights are as much *between* the story's lines as in them. The film starts with a rude awakening. You're hardly into Shot 1 before a clapperboard snaps its jaws in front of the camera and you realise that though the characters are costumed and milling on a mist-strewn jetty in the shadow of a sailing ship, this is already Chinese Box territory. "Positions, please," a voice off calls before the film finally slides off its launching blocks into fiction. A little later there is awakening number two: a supine Streep in bed proves to be not Victorian Sarah but modern Anna, in the first of the cutaways to the modern romance.

Fowles's portrait of Sarah, as lady bearing her role of social outcast with a gaunt tragic pride, is at least partly the portrait of a primal feminist. And the movie-created role of the tougher, livelier Anna—clearly the mistress of her own amours—makes her in spirit a modern descendant. Around this connecting trajectory Reisz and Pinter spin the changing attitudes and paraphernalia of the two eras. The Victorian story is lined in Burne-Jones colours and a statuesque social formalism: propriety coming in varying sizes but little-varying the leonine aloofness of Peter Vaughan as Charles's (almost) piety of Patience Collier's magnificent Mrs Poulteney (fishwife bark and Biblical bromides) to father-in-law. The modern story by contrast has a skittery insecurity and a lighter, lither photographic texture: the ogre of dogmatism has been exchanged for a scarcely-less-daunting *perpetuum mobile* of relationships and attitudes.

Superb performances — has Meryl Streep spent time inside Victorian paintings to get the tilted-head languor *and* the swan-like gestures?—add to the movie's impact. It's a film where images and ideas walk side by side, hand in hand, and where bold jousts at the fabric of illusion serve not to destroy our involvement but to extend it into new dimensions.

★

On the evidence of *Honky Tonk Freeway*, one strongly suspects that John Schlesinger was bitten in the neck simultaneously by Robert Altman and John Landis. *Nashville* meets *The Blues Brothers* in this bizarre collision between multi-character anecdotage and demolition-derby slapstick. The fun-loving town of Ticlaw—a safari park, a water-skiing elephant and a shark-toothed Mayor with an ear-to-ear smile (William Devane)—wants to trap tourists by having its own exit from the new Florida freeway. No deal, say the planners; but not until after they have pocketed the 10,000-dollar bribe. The enraged Ticlaw-ites promptly set up illicit tourist hoardings by the roadside and plan to blow up the nearby flyover.

Meanwhile—and it's an almighty meanwhile—assorted caricatures of Americana their assorted life-crises simmering, hop into their vehicles in points North, North-West and West of Florida and motor forth, their destinies to be conjoined by the common convergence on Ticlaw planned by the screenwriter (Ed Clinton). Down one lane comes fluting, purse-lipped Geraldine Page as a snooty nun with a fractious protegée (Deborah Rush); down another Beau Bridges and Beverly D'Angelo, meetings and mating on the rebound from respective bereavements (he, *marital* split-up, she, deceased mother); down a third, a pair of scatter brained bank-robbers (George Dzundza and Joe Grifasi); down a fourth Jessica Tandy and Hume Cronyn as a sweetly gaga lady dipsomaniac and her long-suffering tweedy husband.

Schlesinger and Clinton shoe-horn one or two witty moments into the anxious avalanche of high spirits: a bank hold-up where the robbers chivalrously turn to help a lady customer in distress at the next window ("Do you have any identification? . . ."), Miss Tandy's voluminously loopy protestations that *she's* not an alcoholic ("Do I drink in private? Do I hide the bottle?") swiftly followed by her majestically ordering five cocktails. But there's no real comedy rapport between the Ticlaw plot and the sundry satellite subplots, and no real comedy logic in their final coming together. *Honky Tonk Freeway* is a road-movie without a route-map. Several scenes before the end you're rooting for that exit-road as loudly as the Ticlaw-ites.

★

Geoff Murphy's *Goodbye Pork Pie* burns rubber to a comparable degree, causing one to reel out of the cinema feeling in need of an oil-check and a 6,000-mile service. New Zealand spawned this cross-country *caper wherein a fugitive two*-some — jobless young Gerry (Kelly Johnson) seeking excitement and jilted older John (Tony Barry) seeking his girl-friend — speed the length of N.Z.'s two islands after a brush with the Law, mostly using the highways but also smuggling their car for one leg of the journey into a railway freight wagon which they turn into a live-in apartment.

False noses, car crashes, mistaken identity, cliff-dives—like *Honky Tonk Freeway* this is one of those films doomfully bent on applying a rubber bludgeon to your funny-bone when a deft tickle can usually work more mirthful effect. But charity, please. This is the first New Zealand film to reach a commercial British screen in 20-odd years, and they have probably spent those years putting up with far worse from our own shores.

The Instant Movie, that tele-born mutant ever more alarmingly clomping on to larger screens, strikes again in *Loving Couples* and *Tattoo*. Scarcely a moment of imaginative or expressive camerawork in either, scarcely a dash of ennobling chiaroscuro or deep-focus, just a merciless mini-budget plonk-through of two catchpenny stores: the first a partner-swapping Sitcom a la *Change of Seasons* (will Shirley MacLaine and James Coburn, marrieds of Malibou, get back together again after a rejuvenating bout of cradle-snatching?), the other a thriller of spine-sedating slowness wherein mad tattooist Bruce Dern sets his needle, and his plainly certifiable noodle, at beautiful model Maud Adams.

Meryl Streep and Jeremy Irons in 'The French Lieutenant's Woman'

Leonard Burt

Lynn Farleigh, Gwen Taylor, Donald Gee and David Horovitch

Ambassadors

Harvest

by MICHAEL COVENEY

Apart from Simon Gray's play at the Queen's, it has been a pitifully poor year for new drama in the West End. My heart leapt, therefore, at the news that a comparatively unknown playwright, Ellen Dryden, was to have her Birmingham Rep play of last year revived at the Ambassadors in a new production by Alan Dossor. It proves a decent, homey, old-fashioned sort of evening, but I find it impossible to muster much enthusiasm on its behalf.

Marian returns to base in a Midlands village to attend the funeral of her grandfather, a devout atheist in a den of Methodists. She arrives to pay wry respects and stays to mourn the spiritual death of her brother, Edward (Donald Gee), a worker in a car components factory who has thrown it all in to take a degree in Eng. Lit. but has suffered some sort of breakdown.

She functions as a focus for a series of dialogues with brother, village parson, mother and niece. As an expressive receptacle for everyone's woes, Lynn Farleigh operates as a critical catalyst fulfilling the simultaneous roles of black sheep and prodigal daughter. There are a few craftily engineered flash-backs to childhood where sibling rivalry makes room for explanations of the brother's hang-ups and her own determination to cut loose.

The play is topped and tailed with two ecclesiastical ceremonies, the funeral service and the Harvest Festival. Straddling this comforting world and the arid domestic scene that has trapped Edward, is Gwen Taylor's snobbish and superbly played sister-in-law. This character's spiritual acumen runs to organising the ham sandwiches for the wake and delegating the distribution of vegetables and plastic onions for the Festival service.

Right at the end, the parson (David Horovitch) engages Marian in a somewhat routine debate on the contemporary relevance of the Church. It is all well directed and well acted —Constance Chapman as the old widow with pleasant memories of "service," and Sylvestra Le Touzel as a Baby Doll on the starting blocks, catch the eye — but curiously dull.

★

Much more fun is David Wood's latest for children, *The Ideal Gnome Exhibition*, playing matinees this week at Sadler's Wells. This is by no means Mr Wood's best work, but the tale of two garden gnomes going on holiday in a depressing inner city environment (imaginatively designed by Susie Caulcutt) has a *Wizard of Oz*-like forward drive. En route to their peaceful traffic island, they acquire the companionship of a clockwork duck, an alley cat who has obviously strayed from the New London Theatre, and a depressed security dog.

Arts Council to hold Newcastle forum

Kenneth Robinson, chairman of the Arts Council of Great Britain, will be among the speakers at a major public forum on the arts to be held in Newcastle-upon-Tyne at the end of October.

The meeting, entitled *The Arts and You*, will be held at the Newcastle Playhouse theatre on Saturday, October 31, at 2.15 pm, and will be the first in a planned series of arts conferences taking place across the country.

Elizabeth Hall

Wolfgang Manz

by DOMINIC GILL

Manz is the 21-year-old second-prize winner of last month's Leeds Piano Competition, whose London recital debut on Wednesday came earlier than expected—standing in as he did at a few hours notice for an indisposed Yuri Egorov.

By the useful rule of thumb that competition juries almost never get anything important right, and particularly not the list of finalists or the proper order of prize-winners, Manz should probably have received first prize. He is, in any case, a very much more exciting pianist than the eventual laureate.

Beethoven's Appassionata sonata op. 57 and the sonata op. 110 do not really make an effective pair for a recital's first half—or rather, effective they might be, but only delivered by a pianist of far greater experience than Mr Manz. He gave both of them clear, strong, forthright performances, confident in broad outline but lacking in subtle detail, delicate poise.

But these two Beethoven pinnacles were, as it turned out, only Mr Manz's hors d'oeuvres: enthusiastic accounts of youthful work in progress. Like his near-contemporary Kristin Merscher (who was actually turned away from the competition finals by the mealy-minded jury at Leeds three years ago), he is evidently and exuberantly closest to home in the grand-romantic virtuoso repertoire. His account of *Three Pieces* for piano by the Czech composer Klement Slavicky—demonic conflations of Prokofiev and Debussy—was a sizzling tour de force. And the finale of his short programme, Liszt's first Mephisto Waltz, was delivered with hair-raising concentration and energy (and with just one cheat: it is easy enough to play the first *presto* sections loud—the real difficulty is playing them triple-*pianissimo* and *crystal* clear). I look forward with great anticipation to Manz's real debut in the considered programme of his choice.

Festival Hall

Die Schöpfung

Haydn's *The Creation* was promised for Wednesday's BBC Symphony concert, but it was *Die Schöpfung* that we heard; the point in this case is not mere pedantry. A performance of Haydn's finest oratorio by a British orchestra and singers, conducted by a Russian — Gennadi Rozhdestvensky — for a predominantly English-speaking audience, might appropriately have been given in the vernacular; this of a work conceived in London, written to a translation of an English libretto (itself leaning heavily on Milton's *Paradise Lost*) and with the model of Handel's *Messiah* very palpably in the background.

But for the first half dozen numbers it had promised dullness. Rozhdestvensky's deliberate handling of the prelude needed a more sensitive orchestral response to be convincing, while the BBCSO was slow to gel, early entries were tentative, the strings lacked bloom. It threatened to have all the appurtenances of a respectful performance without any comparable spirit; the singing was equally unenthusiastic. But slowly textures cleared, rhythms developed a spring and the soloists found an energy which was transmitted to the BBC Singers. Margaret Marshall's delivery of "Mit Staunen sieht das Wunderwerk" had an effortless clarity, cutting an easy path through the chorus; gradually also John Shirley Quirk began to extract more from Raphael's recitatives, and Philip Langridge found a freer, expressive line.

But conductor and orchestra were always prominent. Rozhdestvensky's way with Haydn is crisp and economical, giving leeway to his instrumental soloists at every opportunity. The succession of woodwind in "Auf starkem Fittiche schwinget sich" almost took the spotlight from Miss Marshall's airy and lithe account; at "Gleich öffnet sich Erde Schoss" the instant caricatures in the orchestra would have shaded the most extrovert singer.

ANDREW CLEMENTS

Wyvern, Swindon

Tess

by B. A. YOUNG

To celebrate its 10th anniversary, the Wyvern decided to mount a grand performance of community entertainment, and as a theme for this, Charles Savage, the Artistic Director, and Shelley Sutton, the Publicity Manager, chose Hardy's *Tess of the D'Urbervilles*. Hardy actually worked on a dramatic version of Tess, and the Swindon team ran it to earth in the museum at Dorchester—where else? Alas, it was far from practical; so together they refurbished it, including scenes that Hardy had left out in his doubt of the theatre's capacity to present them.

The Wyvern presents them admirably, for their production is scored for 44 principal parts, 95 "supers," dancers, singers, musicians and hand-bell ringers and 17 changes of scene. It is undertaken under the authors' direction by a company of Wiltshire amateurs, and if the result is sometimes as much like a garden fete as a play, no harm in that. Community entertainment is for the community, and those of the community who were not actually taking part were all sitting in the house picking out their own friends and relations on the stage.

With so many involved, it is no good trying to choose individuals for special mention; but at any rate I must give a credit to Eva Rawson, tall as Vanessa Redgrave, for her Tess. The big production numbers, fairs, markets and so on, were the best thing, though the people all seemed improbably clean and tidy—the barefoot boys were uncommonly unsmudged around the ankles. Tess's marriage to Angel Clare seems to have been a very High Church service, with choir boys in red surplices and a pretty black altar-boy (the only black face I saw). Was I *mistaken in thinking* that Mr Savage had cunningly arranged his choir with a pair of twins arranged one on each side for symmetry?

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

F.T. CROSSWORD PUZZLE No. 4,699

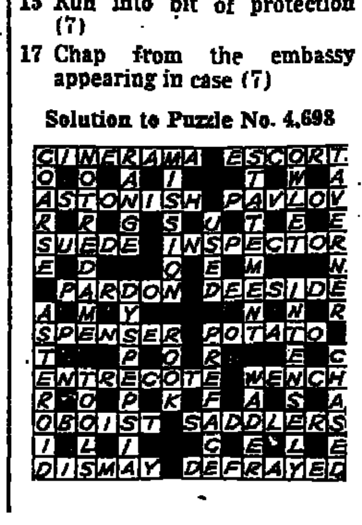
ACROSS

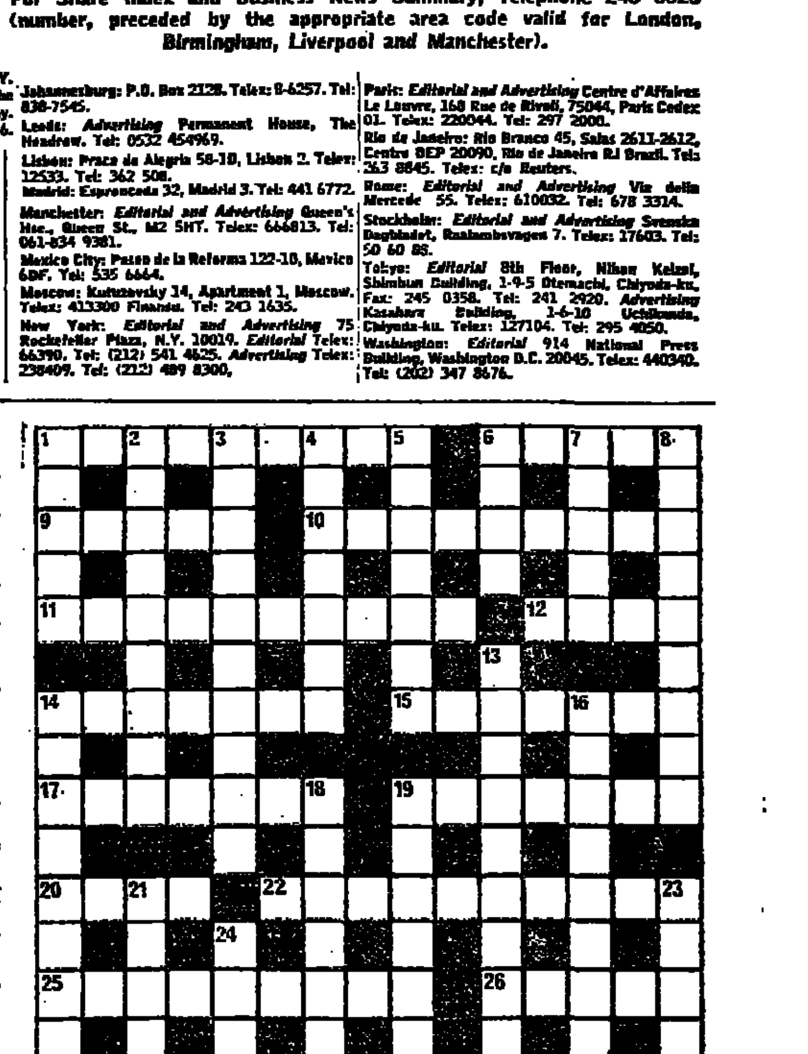
1 Gun the German bellman (9)
6 Is backing ram to take notice (3, 2)
9 Gold cut on deck (5)
10 Disgusting attack (9)
11 Betray a revolution or seek a bargain? (4, 6)
12 Give up offspring they say (4)
14 Game controller has strange duet proved false (7)
15 Run into bit of protection (7)
17 Chap from the embassy appearing in case (7)
19 Boy will be transformed, swelling in waves (7)
20 Biography written in one long sentence (4)
22 Liberal clergy material (10)
25 First-rate factory engaged in charitable activity (4, 5)
26 Composer in heavenly state (5)
27 Each-way principle (5)
28 Stopped before getting published (9)

DOWN

1 Refuse to take doctor round ship (5)
2 Register going at spare tyre (4, 2, 3)
3 Actually working as a doctor (2, 8)
4 Round I go bold in a way (7)
5 Soldiers join magistrate imposing penalties on purifying agent (7)
6 Drop wrong king (4)
7 Yours appears in the confusion (5)
8 How Santa Claus is expected to operate in due course (9)
13 Single politician gets the French message that cannot be appeased (10)
14 Bring up trifling warning to followers en route (4, 5)
16 Defender in a sorry state (9)
18 Ornament on organ to leave out (3-4)
19 Money that is made by club (7)
21 Father given individual headline (5)
23 Legwear daughter washed down (5)
24 Reproach idiot (4)

Solution to Puzzle No. 4,698





FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Friday October 16 1981

Europe closes ranks

THE EUROPEAN Community this week took two small steps forward, one of which conceivably may come to be regarded as a quantum jump. The foreign ministers of the ten, at their meeting in London, agreed to add a few useful nuts and bolts to the rudimentary machine for political co-operation between their governments. They also, for the first time, entered into a formal commitment to consult each other on security.

The logic of the latter decision is apparent. It is hardly possible to divorce foreign policy from security. On the other hand, security or defence is a matter where individual national self-interest comes most sharply into focus. The translation of good intentions into something concrete will take time. Moreover Ireland, unlike the other members of the Community, is not in Nato and does not wish its neutrality to be impaired by anything the others may decide.

Commitment

In practice, the danger of that happening is not great. All the London Charter commits members to is consultation, a very elastic term committing nobody to anything more concrete. Lord Carrington, the Foreign Secretary, has stressed that the consultations would focus mainly on the political aspects of security.

None the less the commitment now entered upon should not be taken lightly. The case for a form of security co-operation—like that for a European foreign policy—has been strengthened by the advent of President Reagan. No Nato member in its senses would wish seriously to upset Washington, the linchpin of European defence. But the occasional truculence of American foreign policy makes consultations and a common European approach all the more desirable.

The scope for defence co-operation beyond what exists in Nato is, in any case, narrow. *Mr Christopher Tugendhat*, Vice-President of the European Commission, has suggested co-operation between defence industries. His point was a strong one, especially since the cost of developing military weapons is ballooning. That may weigh more heavily than the sharp competitive climate between, say, the British and French arms industries. On the other hand, the cost overrun of the Anglo-German Tornado aircraft is a disturbing example of what can go wrong.

The ten are on firmer ground in their search for foreign policy co-operation. The best known example so far is the European initiative for a Middle East settlement, a matter that Lord Carrington will take up when he visits Saudi Arabia in about three weeks' time in his capacity as chairman of the foreign ministers' council of the ten. Disenchantment with U.S. policy in the Middle East will add urgency to his mission.

Lord Carrington will be able to build on a limited overlap between the European approach and the eight-point peace plan put forward by Crown Prince Fahd of Saudi Arabia. The Crown Prince emphasised the right of states in the Middle East to live in peace; the Europeans called upon Arab states to recognise Israel's right to exist within secure borders.

They also called on Israel to recognise the right of the Palestinians to self-determination. Israel's objection to this proposal is one reason why in more than a year the initiative has in practice got nowhere. American reaction has been mixed, but some U.S. officials feel that Europe is needlessly interfering in the Camp David peace process.

Interests

Given their dependence on oil, Europeans cannot lightly accept that argument. It is right and proper that European interests should be defended wherever they are threatened. Fears that America may one day leave western Europe to its own devices are not new: they go back to the 1960s and the days of General de Gaulle and Dr Adenauer. Even the Reagan Administration's policy towards Moscow bears within it the concealed danger that the superpowers one day may do deals between each other with little regard for European interests.

The Community is, therefore, right to try to establish a presence in world affairs beyond the strength of any individual member. Statesmanship of a high order will be needed to ensure that it does not do so at the expense of relations with the U.S.

Civil servants and the market

CIVIL SERVICE unions are reacting with predictable outrage to what they regard as the unexpectedly harsh ideas from the Government about how their future pay levels should be determined. But there will be wide public support for the Government's resolve to put civil service pay on a more realistic and less protected base.

The Government's ideas are contained in evidence to the committee of inquiry into civil service pay under the chairmanship of Sir John Megaw. It needs to be remembered, not least by the civil service unions, that the inquiry was set up after a five-month civil service pay strike which was the longest industrial dispute in Britain since the miners' strike in 1926. Apart from the confusion it brought to the administration of government it also blocked the processing of more than £600m in PAYE, national insurance and VAT, creating distortions in the economic indicators which still have not been sorted out.

Distortions

The Government, conscious of this background and knowing that in nine of the last 15 years the pay bargaining machinery had failed to produce an agreed result, is adamant that any new structure must be workable and free of all the old bogeys of comparability, back-dating, forward dating and, worst of all, catching up. There never will be a time when the economy suddenly produces a large crock of gold with which to iron out previously built in public sector pay distortions and to repair differentials. That rainbow has been chased long enough and it is time to give it up.

The basis of the Government's proposal is that the civil service and the public sector generally, must be subject to the same market forces as the private sector. The principle is totally correct, but the qualifications and additions contained in the Government's evidence point in a direction which appears to conflict with the emphasis on allowing market forces to work.

The document says that the new arrangements could not exclude regard to the Government's duty to control public expenditure and to manage the economy, which means that the pay fixing process must take proper account of financial and macroeconomic considerations.

The Government claims it must retain the right, in the last resort, to decided whether, on any particular occasion, the wider national interest should take precedence over the operation of any system, however well constructed.

The danger in this approach is that it will tend to diminish respect for any new arrangements which stem from the present inquiry and to perpetuate the "politicisation" of the pay determination process in the civil service. The central criterion for pay settlements must be the need to offer pay and conditions which are adequate to recruit, retain and motivate enough staff of appropriate quality. Civil servants should neither be overprotected from the rigours of the marketplace, nor penalised because they happen to be employees of the central Government.

The Government's attitude to arbitration is equally ambivalent. While accepting that arbitration has a role to play it seems to be suggesting that it would be possible only if both sides agreed to seek it and that the Government should in any case have the right to set aside (or ask the Houses of Commons to set aside) the results of the arbitration.

What the committee should be looking at is ways of making arbitration an instrument which only acts to check and interpret independently the labour market information on which the pay negotiations should be based. The old idea of arbitrators pinching compromise figures from the air should have no place in the new system.

Variation

The Government hints at the way it would like the inquiry to proceed on a number of issues. The most important proposal, and the one most consistent with allowing market forces to play the dominant role, is that there should be a wider geographical variation in rates of pay. Decentralisation of wage fixing is bound to be resisted by the unions because it reduces their bargaining power, but it is the best way of ensuring that pay rates reflect market realities. The extension of local wage bargaining throughout the public sector—local authorities, health service, nationalised industries and utilities—would be a prime government objective.

POLITICS TODAY

Fortress Thatcher assailed

By Malcolm Rutherford in Blackpool

Ashley Ashwood

Mr Heath may not have cut much ice among the faithful this week, but the fight is only just beginning

THIS year's season of party conferences — longer than usual because of the formation of the Social Democrats—ends today when Mrs Thatcher addresses the Conservative faithful in Blackpool. But the political outlook is much as it was when the season began: uncertain.

The set-piece battles—between Mr Tony Benn and Mr Denis Healey in the Labour Party and between Mrs Thatcher and Mr Edward Heath for the Tories—have ended in a draw. At least, the outcome has been so inconclusive that the battles will almost certainly be fought again.

The new factor has been the emergence of the SDP in alliance with the Liberals as a major political force. It is taken even more seriously by the Tories than by Labour, for if there is one single message to come out of Blackpool it is the Conservative fear that the alliance could frighten off sufficient Tory votes to allow Labour to win the next general election.

The election, however, is still probably two-and-a-half years away. At present, such are the internal divisions in the two main established parties, that we cannot even be certain who will lead them or on what platform, let alone predict the result.

Yet it is the conviction that the election cannot be won on existing policies that lies behind the revolt of leading Tories. Sir Ian Gilmour, Mr Norman St John-Stevas and Mr Heath may not have cut much ice among the faithful this week, but their fight is only just beginning.

Certain similarities between the Tory and Labour parties are now striking. The behaviour of the Tory activists at party conferences may not be quite as bad as that of their Labour counterparts, but it is deteriorating rapidly. Mr William Whitelaw, the Home Secretary, was treated with open contempt by sections of the audience in the debate on law and order. Mr Heath, a former Prime Minister, was booed in the debate on economic policy.

Moreover, the language of the activists is exactly the same as that of the Labour Party. A speaker on law and order demanded that MPs should be obliged to vote on capital punishment as their constituency associations instructed rather than according to their own conscience.

A speaker in the economic debate was cheered for insisting that the conference should ask itself: "Did you truly believe in the 1979 manifesto? If not, why did you not opt out in 1979?"

Connoisseurs of the political scene may note the rebels' claim that the leadership is not in question. The struggle is about policies, not personalities. It always is in the first chapter: the challenge to the leadership comes later.

All that is Bennism, Tory-style. It was possible to find Tory MPs lamenting that the people who had turned up at the conference did not represent opinion in their constituency. That is what Labour MPs started to say a few years ago. At that time, it was almost inconceivable that Tories would speak of their own activists with similar distaste. Indeed, activism was a word reserved for the Labour Party.

There has also been a change in the age and social composition of the conference. The number of young people has gone down. Representatives seem to come from a very narrow section of the middle class. There is the distinct impression that somewhere in their collective psychology they equate cuts in public expenditure and an economic squeeze with the reinstatement of the death penalty. They get the same sort of pleasure out of both.

The collective level of intelligence is not high, at least judging by their responses to speeches. Mr Peter Walker, the Minister of Agriculture, was applauded for his defence of Government intervention in the agricultural sector with hardly anyone noticing that he was really making a plea for similar intervention in industry.

One speaker was cheered to the roof for saying that Mr Heath had confronted the miners, but didn't have the courage of the present Prime Minister. No one recalled that at the first hint of a confrontation with the miners, Mrs Thatcher ran away.

Again, the conference managed to conduct a whole debate on housing with scarcely a mention of the rise in mortgage rates—surely the sort of issue which costs any government votes. This conference preferred to stress that tenants' rights have been taken too far.

What happened was that there were really two conferences going on at the same time, one in the main hall where Mrs Thatcher and her supporters held sway, and the other on the fringe where Sir Ian, Mr St John-Stevas and Mr Heath advanced the alternative view: fortress Thatcher assailed from without.

Can the camps be reconciled? Intellectually, the answer is almost certainly yes. For on economic policy, which is what it is supposed to be all about, the differences between Mrs Thatcher and her Conservative critics are much less than either side believes. Once again, it is necessary to separate the rhetoric from the reality.

It is the view of Sir Ian Gilmour that Mrs Thatcher and Sir Geoffrey Howe, the Chancellor of the Exchequer, are hell bent on further deflation and the destruction of the British economy. Yet that is belied by the facts, however much the Government may seek to conceal them. The Government continues to put money into shoring up British industry and so conspicuously fails to meet its monetary targets, yet monetary expansion goes on.

It is the view of Mrs Thatcher and her supporters that Sir Ian and his ilk are demanding massive reflation. That, too, is untrue. Sir Ian's alternative programme is relatively modest and much of it is contained in what the Government is already doing.

For example, he has adopted the theory of Professor Richard Layard of the London School of Economics that you can price people into jobs by a company paying them less than the currently going wage, topped up by a Government subsidy. The Government announced its own conversion to this theory in its package of measures to relieve unemployment last July.

Of course, there are significant differences, many of them in the language. You do not hear from Sir Ian anything about the need to influence expectations, or to reverse the British decline.

Indeed one of the greatest differences of all is over the interpretation of the history of the last 20 to 30 years. Sir Ian does not reckon that the past two or three decades were all that bad. Mrs Thatcher thinks they were a disaster which could only be halted by administering some fairly nasty medicine. She wants a moral crusade; Sir Ian does not like that kind of talk.

Yet if the differences concerned only economic policy, they could be bridged. That seems to me a statement of the obvious. The Government is *already doing much* of what its critics want and the critics are asking for much less than the Government thinks. The conclusion must be that if there can be no reconciliation here, there are other forces at work.

One of them concerns Mrs Thatcher's style of government. The old Tory Party has still not come to terms with her brand of radical populism.

For her part, she shows no signs of wishing to come to terms with the old Tory Party. Every move she makes is designed to tighten the grip of her own supporters. There is very little room for flamboyance, wit or elegance in her latest Cabinet.

The old Tory Party has still not come to terms with Mrs Thatcher's brand of radical populism . . . For her part, Mrs Thatcher shows no sign of wishing to come to terms with the old Tory Party

Some old Tory hands say that there is nothing new about this. The Tory Party always was quite as bitchy as any other political organisation, and in its own private way probably more so. The difference now is that it all comes out in public; or some of it does.

That is certainly true, and there is a further explanation. If society is changing and there is a general decline of authority, *it is unlikely that these changes* will not be reflected in the Tory Party. That is why Tories should not be shocked when it is suggested that they have come to look much like the Labour Party. It is all part of societal change: if deference is out, individual assertiveness is in.

Yet there is still a particular crisis for the Tory Party. It used to be the party of authority and the party of leadership. Now the authority and the leadership are challenged. Mrs Thatcher wants to go a fairly narrow way: the old party wants to go back to paternalism and one nation.

The Prime Minister can succeed in one of two ways. Either the economy will start to recover and her policies will be vindicated, or she can make some gesture to the old party by changing her rhetoric and perhaps slightly adjusting her policies to show that she wants reconciliation.

As for the economy, she has about six months in hand, not much more. If by next May, when the election will be at most two years away, unemployment has not stopped rising she will be in real trouble in the party and her future as leader will be in doubt. As for reconciliation, there is no evidence so far that she wishes to placate Sir Ian and the old party.

A possible way forward was put by Mr Francis Pym, the Leader of the House of Commons, in his speech yesterday. Though it was again typical of the Blackpool conference that it passed almost unnoticed by the audience.

On economic policy, Mr Pym said quietly: "Certainly there are alternatives and they are a very proper subject for debate on their merits." There was no olive branch to the rebels, but it was also a potential dagger pointed at Mrs Thatcher. It has been her insistence so far that no alternative exists.

What Mr Pym was saying was that there must be reconciliation within the party if the Tories are to survive as a credible governing body. In a subsequent radio interview he went on to make the point made above, that the alternatives offered by the rebels are not all that fundamental. They are entirely compatible with the Government's existing strategy of seeking to bring down inflation while promoting competitiveness.

We shall know more from Mrs Thatcher's speech today *about how far she is prepared to respond.* The sad fact is, however, that in the present climate the Government's more positive side tends to be neglected.

Mr James Prior, for instance, is now taking Northern Ireland seriously and could produce the enormous boost of a settlement. Mr Michael Heseltine now commands attention when talking about the inner cities after his experience in Liverpool.

All of this happens in isolation. There is lack of synthesis, an inability to see things whole. The fault for that can lie only at the top.

As for British politics in general at the end of the conference season one can do no better than adapt Sir Ian's definition of monetarism; it is the uncontrollable in pursuit of the indefinable.

Men & Matters

View-finder

ATV's metamorphosis into Central Independent Television was all but completed yesterday with the appointment of Robert Phillis as managing director of the company which will provide ITV programmes for the East and West Midlands in the New Year.

Phillis succeeds Lord Windlesham who stood down earlier this year as the IBA-ordered change of identity also brought a new chairman, Sir Gordon Hobday and the renaming of the company.

The last stage—the flotation that will reduce Lord Grade's ACC holding to 51 per cent—is said to be "getting close."

A disarmingly unaffected man who began his career at the age of 15 as an apprentice in the printing industry. Phillis sys he is "flattered—and not a little surprised" by his appointment.

At the age of 35, he has had a meteoric rise in the communications industry. He left the print industry for three years at the age of 20 on a scholarship to Nottingham University where he graduated in industrial economics.

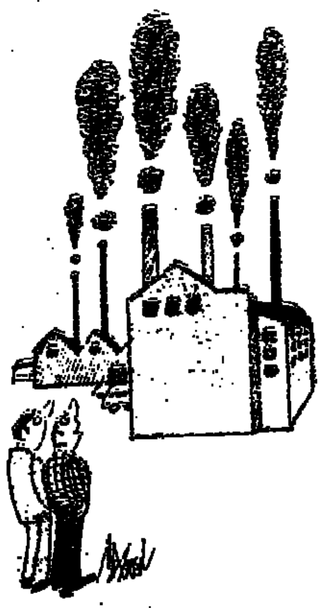
He worked subsequently for Thomson Regional Newspapers and the British Printing Corporation before a further period of study at the Scottish Business School.

Phillis returned to industry as director of personnel and industrial relations, and later managing director of Sun Printers at Watford.

For the past two years, he has been managing director of Independent Television Publications where he has been the driving force behind the new-look TV Times magazine, whose sales have risen by 500,000 to 3.6m since the relaunch on October 1.

ITV chiefs have obviously been impressed—and keen that Phillis should bring the same kind of organisational energies to forging the new-look TV company.

Phillis emphasises he is not a programme-maker. But this weekend is having a booster fitted to the aerial of his Wargrave home, on the fringe of the ATV region, so he can keep a closer eye on what is being broadcast at the moment.



"Hello, the price of coal must be going up!"

Dollars

There is money in Strawberry Shortcake—especially if you add Huckleberry Pie, Blueberry Muffin and Apple Dumplin'. Some $600m so far to be more precise.

Just to make sure the cash flow is maintained these characters, centre of the most successful toy launch in American marketing, are coming to Britain in plenty of time for the Christmas market.

The Strawberry Shortcake doll, in pink strawberry-dotted bonnet and smock, first took shape on the drawing board of American Greetings, the U.S. card company. Her potential, it was soon realised, was so great that she could be profitably shared with General Mills, the world's leading toy maker.

The joint venture has grossed sales this year of $600m, half coming from the rag doll and her gang, and half from franchise tie-ups. Next year, Strawberry Shortcake should be a $1bn business, plugging the gap in the girls' toy market and making precursor, Raggity Anne and Hobby Holly look pretty small beer.

Palitoy, the General Mills division in the UK, will begin introducing the dolls to the kids through television ads this month. Apart from the Shortcake commercial off-shoots — 61 companies are now involved in making furniture, clothes, handbags, watches, wallpaper, books and even vitamins under her hallmark — the other remarkable thing about the toys is that they smell.

All are impregnated with the appropriate scent for their name. Except the villain of the set, the Purple Pieman, who trails an odour of nothing more nasty than cinnamon.

Campbell's coming

Fitting that the Babcock International board should choose its meeting in Renfrew, Glasgow, this week to invite Ron Campbell to join it. For it is at Babcock Power's main plant there that Campbell has wrought a minor industrial miracle this past year.

The 56-year-old electrical engineer joined the Babcock group four years ago to set up a national boiler-making company with Clarke Chapman — a move that turned out to be the final fling in the Labour Government's vain attempt to rationalise Britain's power-plant industry.

Clarke Chapman later merged with Parsons to form NEI. But Campbell stayed on to re-group some of Babcock's activities into Babcock Power.

Since then, not only has he brought industrial peace to what was once a notoriously strife-ridden plant at Renfrew, he has persuaded his workforce to participate in an ambitious cost-cutting scheme which has already saved £700,000 this year.

With the opening of a new *machine shop this summer*, Babcock's operation now represents one of the best hopes of Scotland retaining a place in the heavy engineering industry.

Campbell has spent most of his working life in Britain's troubled nuclear field; first with the Atomic Energy Authority, then 10 years with the body that became the National Nuclear Corporation. At least, he reflects, he has been identified with the country's two more-successful nuclear power stations at Hinckley Point and Hunterston.

With the promotion, too, of *Edmund Madenski, managing* director of Babcock's industrial and electrical products company, the group's main board has a balanced number of executive and non-executive directors again.

Campbell's appointment also brings the number of engineers on the board to three. "I think it is important," he says, "for an engineering company to have people steering policy who have a feel for engineering."

Well oiled

Another traveller's tale. A reader phoned from Stockholm yesterday to say he had just got back from Greece where the natives were "positively oozing with hospitality."

Observer

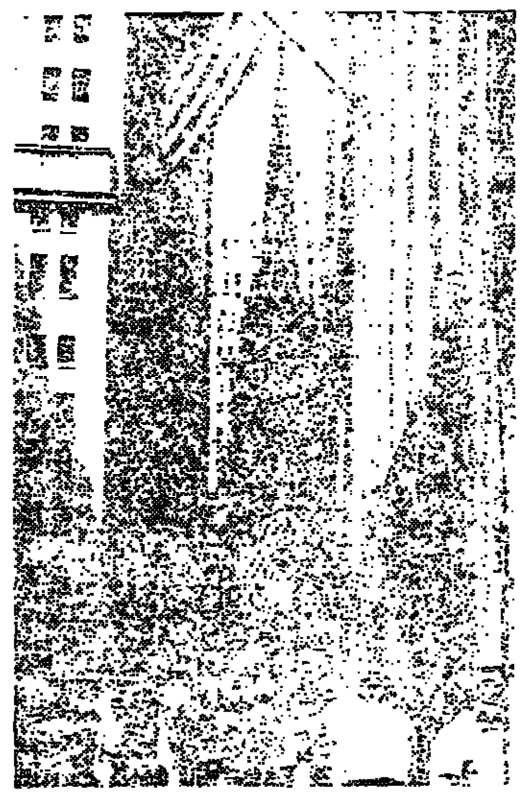
هكذا من الأجل

FINANCIAL TIMES SURVEY

Friday October 16 1981

Throgmorton Street, in the City of London.

INTERNATIONAL FUND MANAGEMENT



Trinity Church looks down Wall Street, New York City

Demands by the investing institutions in the UK and U.S. for an international spread of their portfolios have led to a rapid growth in the numbers of specialist money managers, an increasing diversification of funds into Far Eastern markets and fresh interest in other methods of investment, from index-linked assets to commodities.

Broader horizons for fund managers

BY CHRISTINE MOIR

THE CONCENTRATION of savings in the hands of financial institutions since the mid 1970s has been widely documented and it is now an accepted fact that the investing institutions have a dominant influence on the domestic securities markets in their own countries. Now it is becoming clear that their impact on international markets is growing to a level where they are beginning to influence world markets also.

In the UK a recent study by the Stock Exchange suggests that private investors may still hold 36 per cent of British equities, compared with the 28 per cent or so commonly used until now as a benchmark. This optimistic figure for individuals tells its own tale about the growth of institutional power, however. In 1957, private holdings amounted to 66 per cent of the market.

Dwindling

In the U.S. private investors are still in the majority but there, too, they are dwindling. According to one estimate, private investors hold 65 per cent of U.S. equities, but a redifinition of institutional holdings brings that figure down to 50 per cent, compared with 75 per cent 25 years ago.

These figures are well known. What is only just beginning to be visible is the effect on world markets of the increasing mobility of international institutional funds.

The Bank of England's latest quarterly bulletin contains a special essay on institutional outflows of money from the UK since exchange controls were dismantled two years ago (see table 3). The heaviest outflows have been by the pension funds, which the Bank records as placing 7 per cent of their cashflows abroad in the third quarter of 1979. In the last two quarters that figure has reached 25 per cent. The comparable outflow by insurance companies was 4 per cent prior to the ending of exchange controls. It has now risen to 17 per cent of cashflow.

The unit trusts, the Bank says simply, have bought "virtually nothing but overseas assets since late 1979" while the investment trusts have "substantially disinvested from the UK equities market."

However, the outflow of institutional capital is not confined to UK investors alone. One of the most potentially powerful influences on world securities markets is the growing international diversification by the U.S. pension funds, which began putting their toes into foreign seas for the first time about 1979.

Last year, the U.S. pension funds in the private company sector placed about 0.7 per cent of their $300bn of assets abroad. This year the proportion of the ever-increasing total is expected to grow to 1.5 per cent, suggesting a level of foreign holdings of about $5bn. According to institutional research organisations such as Intersec in the U.S., the figure could quintuple over the next five years.

While the U.S. institutions have been cautiously investing abroad, foreign investors have been placing large sums in the U.S. markets to the point where "foreign participation in the securities market in 1980 exceeded the growth in stock market volume," according to the U.S. Securities Industry Association. The UK, Swiss and German investors have been heavy investors of U.S. equities, while the oil-exporting countries have focused on fixed interest securities in both the government and corporate bond markets (see Table 2).

To foreign investors, according to Mr Tony Regan, head of the international investment division of Citibank, the U.S. is seen as a "haven of political and capital stability."

However, for all the foreign inflow into the U.S. last year, it was Japan which attracted the bulk of foreign investment. A number of international fund managers, such as Mr Martin Wade of Rowe Price Fleming, a joint venture between Robert Fleming in the UK and T. Rowe Price in the U.S., have said that "foreigners predominated in the Japanese market" in 1980 and other managers believe they may have been responsible for the buoyancy of the Japanese market.

Visible

Certainly the oil-exporting countries' governmental agencies have been highly visible investors in Japan for the past 18 months, though it is difficult to find confirmation of the rumours of billions of dollars of portfolio investments in Japan.

The accelerating international mobility of institutional and quasi-governmental funds has produced a corresponding growth in the number of professional investment managers specialising in international advice and dealing. Until recently the major international investment banks have had a virtual monopoly of this kind of investment, but they are now being joined by competitors among specialist investment bureaux and by the expansion of services offered by the leading international broking houses. On one estimate there were 33 such specialist international managers in 1979; by 1986 the number could be as high as 225.

It is no exaggeration, however, to say that wherever the international managers may have originated they are gravitating en masse to London as the centre for international investment management. Whether from cause or effect does not matter, but the language of investment management is English. London straddles the world's time zones. It has a century-old tradition of international investment expertise, and an extensive financial community in which all the international houses are represented.

The growth of professional investment management and the competition for funds to manage has produced its own problems. In the UK a series of scandals and collapses among fringe operators has stimulated the Government to review the ancient Prevention of Fraud (Investments) Act, with the intention of replacing it by full-scale legislation to control investment.

In the U.S. the increasing dominance of the brokerage houses, now developing into one-step financial service groups, has brought about demand from the traditional investment banks for freedom from the constraints of the Glass Steagall Act introduced as a deliberate restriction on banks following the 1930 stock market débâcle. In Hong Kong there are plans to give the market authorities some kind of control in order to eliminate the worst sorts of abuses.

Accountability

The interpenetration of world markets by investment managers has also given rise to a demand for greater professionalism and accountability. The growth of organisations specialising in systems which monitor the performance of investment managers is one outcome of that demand. So, too, is the attention now being directed to quantifiable theories of investment, in particular Modern Portfolio Theory.

The avenues down which MPT can lead—to passive investment or the matching of portfolios to an appropriate index as a proxy for the market — have less relevance in the international context. However, the premises underlying the theory have stimulated fund managers to scrutinise closely their skills in selecting stocks and investment media, and also computerised studies of the relationship between risk and return in investment.

Finally, internationalism h[…] broadened the horizons of f[…] managers. Now that they h[…] genuine investment alternati[…] to the basic domestic sector[…] equities, fixed interest a[…] property—they are also look[…] at other media. This h[…] coincided with a revival of t[…] U.S. bond market, the devel[…]ment of indexed Governm[…] stock in the UK, and the cr[…]tion of an institutional r[…] estate market in the U.S. a[…] the marketing of a wide r[…] of new international vehicle[…] commodity, precious metal […] currency investments.

TABLE 1
US INVESTORS NET PURCHASES ABROAD

	1979	1980
Europe	($137m)	$418m†
Japan	($24m)	$838m
All countries	$786m	$2,179m

† Including $203m of French securities and $252m of Dutch securities. Source: Securities Industry Association.

TABLE 4
PERCENTAGE SHARES OF OVERSEAS ASSETS IN UK PORTFOLIOS
(market values)

End-year	1978	1979	1980†
Investment trusts	33.5	31.6	38
Unit trusts	16.4	19.5	23
Pension funds	5.4	6.0	8
Insurance companies	4.7	4.2	5

† Very tentative. Source: Bank of England Quarterly Bulletin.

TABLE 2—NET PURCHASES IN US SECURITIES BY FOREIGNERS
($m)

	1979 Equities	1979 Treasury notes	1979 Corporate bonds	1980 Equities	1980 Treasury notes	1980 Corporate bonds
UK	964	862	60	2,508	945	140
Switzerland	(513)	(312)	(113)	307	(373)	100
Germany	(221)	2,580	47	188	(2,339)	210
Opec	653	(1,019)	507	1,105	5,541	1,873
All countries	1,626	2,724	688	5,169	4,912	2,847

Source: Security Industry Association, New York.

TABLE 3
SIZE OF UK INSTITUTIONAL PORTFOLIOS
(£m)

		UK assets	International assets	% growth of international assets	To[…]
Pension funds	1978	28,377	1,658	—	31,0[…]
	1979	32,317	2,057	21.9	34,3[…]
	1980	36,706	3,217	56.3	39,[…]
Insce. companies	1978	44,643	2,186	—	46,8[…]
	1979	50,565	2,232	2.1	52,7[…]
	1980	55,720	2,591	23.5	56,[…]
Unit trusts	1978	2,868	606	—	3,47[…]
	1979	2,640	657	8.4	3,2[…]
	1980	3,115	975	48.4	4,0[…]
Investment trusts	1978	4,237	2,223	—	6,4[…]
	1979	3,396	1,856	−16.5	5,2[…]
	1980	4,469	2,322	52.0	7,2[…]

† Figures not available. Source: Financial Statistic[…]

INTERNATIONAL MONEY MANAGERS

	Total of intl. funds under management $m 1981	1980	U.S. pension funds Total invested outside U.S. $m 1981	1980	% of total 1981	1980	U.S. pension funds % growth of total
Fiduciary Trust	Aug* 1,360	Aug 1,210	Aug 48	Aug 36	3	3	†33
Morgan Guaranty	June 1,400	June 1,300	June 1,000	June 750	71	58	†33
CREF‡	Aug 534	Aug 250§	Aug 534	Aug 250§	100	100	†113
Citibank	2,000	1,500	Aug Equity 130	Aug Equity 91	6.5	6	†43
			Fixed income 45	Fixed income (July) 80	2	5	†43
State Street Bank	Sept 225	Sept 100	Sept 215	Sept 100	95	100	†115
Morgan Grenfell	June 1,782	June 1,235	Aug 210	Aug 57	12	5	†268
Batterymarch Financial	Aug§ 90	Aug§ 50	Aug 45	Aug Nil	50	Nil	—
Rowe Price-Fleming†	Sept 175	Sept§ 20	149¶	17§	85	85	†776
Ivory & Sime	Aug§ 980	11	114	75§	12		52
Capital Guardian	June 994	Sept 888	June 105	Sept 70	11	8	†50
Scudder Stevens**	Apr 60	Apr 120	Apr§ 30	Apr§ 60	50§	50§	†50
Chemical Bank	1,000§	900§	50§	48§	5	5.3	†4
Putnam Advisory	Aug 204	Aug 137	64	41§	31	30	†56
Chase Manhattan	Sept 1,400	Sept 900	50	Nil	4	Nil	—
Lombard Odier	††	††	190	130	—	—	†46
Warburg Investment	2,000	1,800§	250	165	12.5	9	52
Templeton Investment	Sept‡‡ 1,675	Sept‡‡ 1,200	Sept§§ 150	Sept§§ 112	9	9	†34
GT Capital¶¶	1,600‖‖	1,200‖‖	143	43	9	4	232
Fidelity Intl.	Sept 1,000	Sept§ 700	Sept 150	Sept§ 50	15	7	†200

* Large proportion made up from UN fund
† Pension funds make up approximately 85 per cent of total international goods under management
‡ CREF—College Retirement Equity Fund. Sister company is TIAA: Teachers Insurance And Annuity
§ Approximate value
¶ Some U.S. univ. endowment
‖ No comparable figure available
** Decline in pension funds due to switch back into U.S. in anticipation of exchange rates
†† Not disclosed
‡‡ Total funds managed, made up of: three mutual funds, two Canadian mutual funds and two other accounts. Company says that they like to call these funds for international development
§§ These figures are approximations. Total U.S. ERISA funds managed are 375m and last year 280m. Approximately 4 per cent of funds are managed outside the U.S.
¶¶ GT Capital is the U.S. end of GT Management
‖‖ Total funds managed worldwide

INTERNATIONAL FUND MANAGEMENT III

Boom in managers to meet demand for investment

THE MANAGEMENT of clients' money on an international basis is not a new idea. The great international investment banks were built on it. Switzerland is perhaps best known for it. The UK investment trusts grew up in the last century on the opportunity they offered British residents to participate in overseas growth companies.

Traditionally, though, international portfolio investments were made on behalf of private clients or, less commonly, individual corporations. That is now changing with the swift growth in investing institutions such as insurance companies, pension funds, foundations and the like, whose appetite for widely-held investments has begun to outstrip the supply in their domestic arenas.

As their appetites have grown so, too, has the number of specialist international investment managers. One recent estimate suggested that about 33 such specialist groups existed in 1979 offering a carefully and precisely delineated international investment management and advisory service. This year the number is expected to rise to over 70 and within five years could be anywhere between 125 and 225.

Power base

Some of the specialists are the old traditional organisations expanding and extending their power bases. The U.S. investment banks, the British merchant banks, the German houses and the Swiss banking offshoots are the recognised leaders in the field. The investment trust managers are also putting their century-old international experience to good use in attracting the new type of client.

Other specialists, however, have been created from scratch as international investment bureaux and it is remarkable how strongly they are competing with the giants.

At present, the new organisations have one thing in common. They are all competing for the international portfolios just being set up by the U.S. pension funds. The reason is simple. The American private sector funds have assets of around $900bn. Only about 1 per cent of these assets are held abroad but that makes an attractively large pool of money and the proportion of funds diversified into non-U.S. Securities is growing. Non-U.S. holdings by this sector are expected to quintuple in four to five years as a proportion of a total which is also growing.

Equally visibly London has emerged as the prime location for international fund management. Not only were the merchant banks already established in London along with those of the UK-based specialist money managers not domiciled in Scotland; by the time international money management accelerated in the second half of the 1970s, London was also the established offshore centre for international banking—drawn by the mature Eurobond market which operates out of the City—and was becoming a high priority location for international broking houses.

The expertise already there, the breadth of the international financial community represented in London, the fact that it spans the international time zones, drew the international money managers like a magnet.

Morgan Guaranty, one of the very largest U.S. money managers, with $36bn of assets under management, last year opted to bring its entire international division (managing $1.4bn) to London. Chase Manhattan, another of the U.S. banking giants, already has $1.4bn of international assets managed out of London and intends shortly to transfer the management of the international sections of its U.S. pension fund clients from New York.

Lombard Odier, one of the leading Swiss investment management groups, also carries out the bulk of its international activities through its London office with a smaller presence in the U.S.

Those U.S. investment specialists that have not yet moved abroad freely admit the competition they fear most comes from the European international money managers, especially those who can tell prospective clients that they have a London base.

The UK managers, for their part, have felt the need for a U.S. presence as a prerequisite for winning U.S. pension fund business and, incidentally, for providing other international clients with evidence of close contacts with the attractive U.S. markets. Some have opted for joint ventures with U.S. managers or institutions. Robert Fleming has joined with T. Rowe Price, S. G. Warburg with Aetna Casualty and Insurance, Gartmore has joined partners with Investors Diversified Services. Others have set up marketing or representative operations in the U.S. under their own steam.

Honeypot

The U.S. is not the only securities market which is a honeypot drawing international investors, however. Even more than North America, the Far East is attracting foreign investment. The UK houses with traditional Far Eastern links were the first to benefit from the move—many attribute their success in winning U.S. pension fund clients to those links. But others are now turning Japan and the Far East generally into selling points.

Foremost among this group are the Japanese securities houses such as Nomura and Daiwa, whose knowledge of their own backyard now begins to outweigh their lack of experience as international money managers.

The growth in internationalism within the financial institutions has captured the spotlight in the past couple of years as the U.S. dabbled in foreign waters for the first time and the UK pension funds and insurance companies seized the opportunity afforded by the abolition of exchange controls to multiply their foreign holdings.

Yet many of the biggest international money managers—measured by the size of the assets under their management—rely only minimally on these clients. Private clients with international portfolios, captive insurance companies within international trading groups, governmental and quasi-governmental agencies, especially from the OPEC countries, private charities and foundations, mutual funds (unit trusts as they are known in the UK) are often more important to the international managers.

Rowe Price Fleming, for instance, had about $175m under management in September, $150m of it on behalf of U.S. pension fund clients. Robert Fleming, the UK merchant bank and Far Eastern investment specialist, however, managed £3.45bn of clients' money at the end of June and £950m of that was in foreign assets.

Fiduciary Trust of America, said to be the largest U.S. manager, had $1.6bn of international assets in its care in August. Only $48m was for U.S. based pension funds. Nearly all the remainder was the massive pension fund of the United Nations.

CT Capital International, one of the UK specialist investment houses, manages around $143m abroad for U.S. pension funds, but claims that its collection of mutual funds and specialist vehicles has international holdings of $1.6bn.

Warburg Investments, the investment arm of S. G. Warburg, with Aetna as partner, has $250m of U.S. pension fund money, but its total international investments on behalf of all clients include probably double that figure for UK pension funds.

Citibank, like Morgan Guaranty, relies heavily on its commingled fund as a vehicle for U.S. pension funds abroad, but this amounts to less than 10 per cent of its total international managed funds. Private clients and quasi-governmental bodies remain the core customers.

Templeton Investment in the U.S., like Ivory and Sime in the UK, is a traditional investment group and the bulk of its $1.6bn of international assets reflects its specialist Canadian and international mutual fund vehicles, as Ivory and Sime's range of investment trusts involves control of six times as many international assets as its direct U.S. pension fund business.

International money management, therefore, is clearly a growth sector, with a broad enough base to withstand any reverse by any particular type of client. It is also one in which supply and demand seems fairly evenly balanced: the numbers of managers increase with the increase in the numbers and size of international investors, but with sufficiently different specialities so that they are not all competing for the same clients.

Christine Moir

Chase Manhattan's London office

For all the different structures and client mixes of the leading London-based investment management groups their views of the international markets at the beginning of October were remarkably similar.

Chase Manhattan

Bases its strength on its custodian trustee function in the U.S. where it has $8.5bn of international assets in custody, and is working on specialist monitoring systems such as multi-currency valuations for its international clients. Meanwhile its manages $1.4bn of assets out of London with a particular emphasis on investment in the U.S.

Chase's current preoccupations are to provide special situations expertise for international investors, including those managed by other investment houses. The creation of U.S. bond portfolios and the identification of venture capital and small company investments in the U.S. are two examples.

Chase also intends to transfer to London its commingled fund for offshore investment for 40 U.S. pension funds within the next three months.

Morgan Guaranty

Originally based in Paris, the London office took off as the international investment centre when Morgan transfererd its $700m commingled fund for U.S. pension funds plus another $300m of U.S. pension international assets to London last year. That has grown to $1.4bn, with some of the U.S. funds requiring global investment administration, not excluding the U.S., which will not just diversify risks but positively improve overall returns.

Mr Tony Thompson, one of the London directors, believes the U.S. retains its attractiveness with foreign investors particularly UK residents. The French and Dutch are also interested in investment there in equities, while German investors have a tendency to seek U.S. bonds.

Morgan Grenfell Investment

Morgan Grenfell Investment Services has $1bn of international assets excluding overseas holdings for UK pension funds, but including $210m of U.S. pensions funds abroad. Morgan Grenfell has not built up the overseas holdings of its UK pension funds beyond the 10 per cent of total holdings maintained prior to the abolition of exchange controls.

Mr Michael Bullock, one of the London-based directors complementing Mr Eliot Gartner, a former U.S. pension fund manager who runs the New York office, says "1981 is the year for cash." In 1980, he believes, most foreign money went to Japan now "while waiting for the dust to settle, we are holding yen and DMs." Mr Bullock believes there is now more emphasis on Europe, particularly Germany, and U.S. bonds offer "relatively interesting opportunities."

Citibank

Now has $2bn under management in London, which evolved via Switzerland and a specialist international bond department in London, which is now its main offshore investment base. Less than $200m is so far managed in London for U.S. pension fund clients through commingled equity and fixed interest funds. Private and foreign institutional clients still account for the bulk of international assets managed, which are split 50/50 between equities and fixed interest. The latest drive is to interest international clients, including UK funds, in special situations in the U.S. such as participating property mortgages, venture capital and U.S. bonds.

Mr Tony Regan, head of the international investment department, says that 1980 and early 1981 was the peak time for investment in Japan. Since then liquidity has been growing to the high level of 30 per cent. Citibank tends to avoid currency speculation for U.S. pension funds. Most popular investments at the moment are U.S. bonds or DM bonds and certain "low risk, low expectation" equities in Germany and Holland. Mr Regan continues to maintain high liquidity in Japan and the UK.

Warburg Investments

Warburg Investments has $2bn of international assets under management, including $250m of U.S. pension funds and substantial overseas holdings for UK pension funds.

Mr Burton Weiss, the director in charge of the joint venture with Aetna Life and Casualty to win more U.S. pensions business, says that 1930 was the year for international investment in Japan. While that market remains attractive, the U.S. is now looking the most attractive world market. There is some revival of interest in Europe, especially Germany and Holland. Otherwise the most popular move is into cash.

GT Man.

GT MANAGEMENT is an investment house which has specialised in offshore funds and now, through GT Capital, has $143m of U.S. pensions business abroad. The group shuns the commingled route which it believes could have legal problems for U.S. pension funds though offshore mutual funds have often performed better than segregated portfolios for UK pension funds. It operates out of London, Hong Kong and San Francisco.

Mr Richard Thornton, the chief executive, claims to have taken the whole portfolio 20 per cent liquid in the first week in September, earlier in Japan. He now believes "Australia is for the birds."

Rowe Price Fleming

The joint venture set up in 1979 between Robert Fleming and T. Rowe Price, a leading U.S. investment counsellor, manages only a small part of the Fleming international assets, namely the U.S. overseas business of about $175m, $65m of it by means of a commingled-type fund.

Mr Martin Wade, one of the directors, talks of a high Far Eastern exposure, but with some build up in Europe ahead of a move into cash. The Far East remains sought after by U.S. funds, he says, which also want a small proportion of assets in Australia.

Move towards a higher overseas content

LIFE COMPANIES, both the long-established traditional offices and the newer unit-linked companies, have been active in expanding their overseas investments, joining in the general institutional trend towards a much higher overseas content for their funds. The linked operations have arranged their funds so that international investment is quite separate from UK investment, and the policyholder decides whether he invests in the UK or overseas.

The traditional life assurance company still operates with one or two central funds into which all investments are made—fixed interest, equities and property. It is the job of the investment manager to decide on the mix, including overseas investments, bearing always in mind that the liabilities—life and pensions—are in sterling. In theory this means that only the free reserves can be earmarked for overseas investment. In practice the funds are so large that constraints and limits are no real barrier and the size of investment overseas depends on the investment manager's assessment of the situation.

The divergency of these views is shown by the attitudes of three investment managers with traditional life companies.

Mr Peter Simon of Legal and General, the life company with the largest pensions business in the UK, points out that the general principles for going overseas are first that the diversification of investments reduces the exposure to the weaknesses and lack of growth of the UK economy and secondly provides investment opportunities not available in the UK or only available to a limited extent. Most investment managers in life and pensions would go along with those reasons.

L and G started diversifying overseas in 1973 with a U.S.$30m investment in the U.S. It has consistently built from the start, the main thrust being in equities and the U.S. being the main operating territory. Since then it has expanded its operations to property and widened its base to many other countries, mostly Japan and others round the Pacific basin.

Although L and G is one of the major property investors among UK life companies, with emphasis on development, its exposure in overseas property is minimal and confined to its pension funds, amounting to less than 2 per cent of the overall assets. The group has not involved itself in overseas bond markets, despite the high interest rates currently available. Fixed interest investment in life funds is used primarily to match the contractual liabilities, which are in sterling.

Mr Simon emphasises that the company has to be very careful on the financing aspects of overseas investment. It did not go rushing out to invest overseas simply because exchange controls were lifted, using sterling to finance the purchases. The company was investing overseas when the controls were on and learnt how to operate in these conditions. There is still a need to consider borrowing facilities to finance investment in order to insulate against sterling rising in value.

The investment research, decision-making and monitoring is done by a relatively small in-house team, by L and G standards, using information from UK and overseas brokers, backed by regular visits to the various countries. L and G has widespread overseas life operations particularly in Australia and South Africa, where this business is invested locally for the most part. This investment knowledge is used by head office when investing UK funds overseas.

Inhibited

Mr Graeme Knox, investment manager of Scottish Amicable Life Assurance, one of the most forward-looking of Scottish life companies, takes the view that the ability of life companies to invest overseas is not seriously inhibited by the nature of the liabilities and that a much more influential factor relates to the actions of competitors. In recent years life companies have tended to be judged critically on their bonus rates and the competitiveness of their with-profit contracts. The need to maintain this competitive position is always present and Scottish Amicable is in the top 10.

The company has placed arbitary maximum limits on overseas investment which are reviewed periodically. Currently up to 15 per cent of pension fund assets can be invested overseas and 10 per cent of life fund assets—pension funds in general having a much higher equity content than traditional life funds. The company is still well within these limits.

Scottish Amicable first started investing overseas in the 1950s, but came out in the 1960s. It restarted overseas in 1972 and has steadily expanded since then, particularly 12 months ago when overseas exposure was doubled on the strength of sterling. The company is prepared to spread its overseas investment beyond the traditional U.S. equities into bonds and property, not only in the U.S. but in other countries.

It has a substantial portfolio in U.S. Treasury bonds which it uses as collateral for U.S. borrowing on very fine interest rates.

While the U.S. accounts for over 60 per cent of overseas equity investment, Scottish Amicable is expanding into Japan and other major investment territories.

The company has a sizeable team in Glasgow handling overseas investment relying heavily on information from UK and overseas stockbrokers, backed by visits. Its sizeable life operations in Australia provide the local knowledge for that country.

In contrast, Mr Gavin Mills, chief investment manager of Norwich Union and looking after one of the largest life and insured pension funds in the UK, admits to not running with the herd in putting money overseas and is quite prepared to defend this attitude.

He claims that anyone investing overseas is "punting" on the exchange rates and the past record of the specialist getting the exchange rates right is not completely satisfactory. He freely admits that no established fund is inhibited from investing overseas because of the nature of its liabilities and his decision not to go overseas in a big way is because he is well satisfied with the equity and property investment opportunities in the UK.

Norwich Union is another of the major property investors among UK life companies, with particular emphasis on development—last week it signed a £50m deal to build a shopping complex in Basildon, Essex. His view is that the price of overseas equities is high, with dividend yields usually low. His analysis of investment overseas in the 1970s showed that only South Africa, Hong Kong and Singapore outperformed the UK.

He has not completely eschewed overseas investment. Currently this is modest and very selective, concerned solely with equities and mainly in the U.S. The overseas holdings are at present less than £100m out of a near £2bn equity and property portfolio.

Norwich Union is under no pressure to go overseas and its bonus rate record has been excellent for many years so that the company is among the very top performers.

Eric Short

S & P aims to be the best

SAVE AND PROSPER, Britain's biggest unit trust group, runs total funds at a recent count of just over £1bn, of which roughly £280m is invested outside the UK—mainly through its specialist funds.

Early in the summer the company became a subsidiary of the merchant bankers Robert Fleming, which ended years of uncertainty by buying out S and P's two other then major shareholders: Atlantic Assets (the Edinburgh based investment trust) and another merchant bank Baring Brothers. These retain 4.7 per cent and 5 per cent respectively.

Ironically, S and P's investment management links with Fleming are now more tenuous than they were a few years ago when Fleming-paid employees actually ran most of the Save and Prosper unit trusts. Today S and P very firmly has its own investment management team and though these managers obviously have the benefit of Fleming's research and keep closely in touch with the bank's Far Eastern associate Jardine Fleming, they guard their independence with surprising fervour.

Although Save and Prosper has used the opportunity provided by popular enthusiam for overseas stock markets in the last 12 months to launch a couple of specialist funds—Technology and Exploration—the group's range of funds is pretty complete.

According to Mr John Manser, investment director, "the main task is to concentrate on being the best-run unit trust group and improving performance." After a number of poor years in the 1970s this has improved recently and over the last two years the overall performance of funds has been as good if not better than most of its big rivals.

S and P also has a sizeable life insurance operation through which money feeds into the unit trusts. There are about £16m of exempt pension funds and £35m of life company funds. Mr Manser says the major marketing effort at the moment is devoted to selling executive and self-employed pension plans.

Mr Manser's style has undoubtedly breathed new life into the investment management side at Save and Prosper and in the wake of Fleming's assumption of overall control it is interesting to note the confident "business as usual" noises coming from Great St Helens. The combination of these two institutions is powerful, however, and will be one to be reckoned with in the 1980s.

T. D.

Restraint on M & G's range

M AND G is the oldest, the second largest and, throughout the 1970s, was undoubtedly the most successful unit trust group in terms both of performance and sales. Following the September shake out in equity prices its pure unit trusts are now worth around £760m while total funds managed (including pension and offshore funds and investment trusts etc) are currently valued at around £1bn.

M and G's growth has been based largely on its UK trusts, such as the Dividend Fund (c £100m), the General Trust (c £100m) and the UK Recovery Fund (over £50m). Some 80-85 per cent of all group assets are invested in the UK, an area in which M and G over the years has established its reputation by picking those companies which have been able to increase their dividends consistently.

The spate of reduced payouts has inevitably made life difficult for managers in the last year or so and has taken some of the shine off the group's short-term performance. Longer-term, however, M and G trusts continue to show up well in the tables.

M and G is the only publicly quoted company whose main business is unit trust management. Originally Municipal and General Securities, an issuing house subsidiary of the engineering company White Drummond, the first fund (a "fixed fund" which was not managed) was launched in 1931. In the 1960s the major landmarks were the formation of UK funds with overseas funds added in the subsequent decade.

While all around them have been launching new vehicles recently with what could be termed almost a trigger happy recklessness, M and G has been relatively restrained on this front. M and G American Recovery was launched on the back of the highly successful UK version and the group followed fashion by setting up a gilt fund. For the moment at any rate Mr Paddy Linaker, managing director, feels that the present range is sufficient.

Performance

Looking ahead, the company believes the best way to grow is by contiued good performance—there is a strict separation between investment management and marketing—and sees particular opportunities in the personal pensions fields. Mr Linaker is keener on this area, for example, than the management of company pension funds.

M and G has thought about opening an office in the Far East but believes that the advantages of having everybody based under one roof outweigh the possible attraction of setting up overseas operations.

T. D.

Pensions look abroad

UK PENSION funds have approximately £50bn in assets for investment. On average, 10 per cent of the funds are invested abroad but in some cases the figure rises to as high as 20 per cent.

The Merchant Navy Officers Pension Fund, with total assets of about £500m and cash flow for investment of £70m a year, has been one of the more aggressive and successful foreign investors in the past two years.

Mr Geoffrey Musson, the fund's manager, indicated that the proportion of the portfolios that is invested abroad is higher than 15 per cent but he would not be specific about the bands within which the fund's committee allowed him to operate.

Like most funds, the Merchant Navy Officers had a token foreign component in its portfolios before the removal of exchange controls in 1979.

When Mr Musson joined the fund in 1977, after having been research partner at brokers James Capel, foreign investments amounted to 1 or 2 per cent of total assets. "The committee decided that was too low and either it should rise or be eliminated. It went up."

The fund's approach to foreign investment is to concentrate on growing economies where natural resources or technological achievement are abundant. Most of the money has been directed to the U.S., with smaller amounts to Canada, Europe and the Far East, but the fund has no commitment to any market.

Most of the foreign money is invested directly in equities. Mr Musson, who has a professional staff of five, makes about four trips a year to America and others visit Europe and the Far East. He is totally opposed to having foreign staff.

The fund sometimes also uses investment trusts for high technology, oil and gas and some geographical specialities, such as the Far East.

It is interested in investing in small, unquoted companies but only if they can provide an additional benefit to members over the return that could be made in a comparable equity. "Our experience is like that of a lot of others, I suppose," Mr Musson says. "We see a lot but we have not made many investments, only three to date. It is not through lack of trying but in some cases a company's needs may be best met by bank borrowing or its plans may seem ill-conceived. We are hoping to do more."

Ian Rodger

NCB's broader portfolio

MR HUGH JENKINS, director general of investments for the National Coal Board, is not a man to do things by half measures.

When the NCB pension fund decided in 1978 to build up a significant international portfolio, Mr Jenkins and three associates spent a year studying the problem. Then they set up offices in New York and California and opened for business with a splash—a $150m takeover of Continental Illinois Properties, a real estate investment trust (REIT), in July, 1979.

Since then, foreign investments, mostly in the U.S. have grown very rapidly and now stand at about 7 per cent of the fund's £3.5bn in assets.

"Our business plan provides notionally for 15 per cent of our funds to be placed outside the UK," Mr Jenkins says, "but we don't rush. Investing overseas is not just about achieving targets. It is about making investments that meet our criteria."

The NCB's main interest in investing abroad is seeking portfolio diversification. It seeks situations not available in the UK as well as attempting to take advantage of different timings in the business cycle. This strategy has resulted in investments in property, natural resources and high technology, sometimes directly and sometimes through securities.

... Illinois, now called Pan American Properties, the fund has been investing in U.S. property developments directly. "U.S. yields are a great deal higher than here so this gives us the opportunity for rounding out our exposure," says Mr Jenkins. Three months ago, an offer was made for another REIT, Connecticut and General, but it was unsuccessful.

The fund's method of investing in U.S. high technology has been to set up a small business investment corporation (SBIC) that was licensed earlier this year under the federal Small Business Administration. This allows it to draw low-cost loan capital from the Government for investments in unquoted small companies. The managers of Pan-American Investments also handle the fund's portfolio investments in high technology. Total commitment to high technology, most of it through the SBIC, is $12m.

Investments in natural resources are made either directly—as in purchases of timber and agriculture — or through portfolio investment. The main holding is a 10 per cent stake in Canadian Natural Resources which, despite its name, has about 98 per cent of its assets in U.S. oil and gas.

Outside the U.S. the fund has a small portfolio of Japanese common stocks and owns a large agricultural estate in Australia.

"We seek markets that are large enough to enable us to maintain the marketability of our investments," Mr Jenkins says. "We want to be able to come out of a foreign market entirely at one time." Also, the size of the commitment to the U.S. permits better control. "If someone intends to maintain a low exposure or invest only a small amount, he can use investment trusts. But when the operation is large, you have to make sure that the investments are watched after."

Starting up

Mr Jenkins says the problems of starting up such an operation are gigantic, mainly involving the learning of new tax and legal structures. "Another problem is the means of communication. Fortunately, my lawyer in California gets up at 4 am so I can talk to him at noon, but otherwise, it can be difficult." However, having been active in the U.S. for two years—the fund had about 2 per cent of its assets abroad prior to 1979 — Mr Jenkins now feels "comfortable" there, and foresees a gradual build-up to the 15 per cent-of-assets target.

"If sterling were to be permanently weak, there would be a strong case for having a very large proportion of our assets overseas, but prudence says 15 per cent is a good limit. All our liabilities are denominated in sterling."

Ian Rodger

هكذا من الأصل

Why The Morgan Bank is the worldwide leader in international investment management

Member, FDIC Incorporated with limited liability in the U.S.A.

Some of the Morgan officers responsible for international investment strategy are shown in London. From left, Martin Harrison, Minoru Itoh, Karl Van Horn, Charles Green, Walter Zinsser.

Major investors in Europe, Africa, Asia, Australia, and South America—in addition to North America—increasingly turn to The Morgan Bank for active international portfolio management.

Our London office now manages more than $1.4 billion in internationally diversified equity and bond portfolios for a wide variety of clients, including pension funds, foundations, insurance companies, and government organisations. We earned this leadership position by developing a multinational team of professionals and by achieving an outstanding record of performance.

Headquarters in London

Our international investment team is headquartered in London, and includes professionals in Tokyo, Hong Kong, Paris, Geneva, and New York.

At Morgan, international diversification is actively managed and based on careful, on-the-spot research. This kind of management broadens the range of investment options. It can smooth the cyclical bumps that are likely to jar a one-economy portfolio. It can turn inflation differentials and currency fluctuations into investment opportunities rather than hazards.

Morgan's special resources

Active fund management requires special resources. Besides its own multinational research, Morgan's international investment team has access to country-by-country studies by the bank's international economists, and the currency judgements of our foreign exchange specialists in money centres everywhere.

The flow of information and analyses from these experts is coordinated systematically, enabling our managers to build portfolios that balance risk and return in accord with each client's specific objectives.

Investment follow-through is as important to us as creating a portfolio. Whatever the market, our skilled traders know how to execute purchases and sales effectively. Our worldwide custody network combines maximum protection of securities with the flexibility demanded by our policy of actively managing assets in each local market.

Call on Morgan

Morgan can help you benefit from actively managed international diversification. For specifics, write or call Chilton Thomson, Assistant Vice President, Morgan Guaranty Trust Company, 30 Throgmorton Street, London EC2N 2DT; telephone (01) 600-2300.

The Morgan Bank

U.S. pension funds look to UK managers

SOME LONDON merchant banks have been giving advice on international investment for almost as long as there has been a U.S. "We find that reassuring," said one U.S. corporate pension fund manager, in explaining why his company's pension fund, like many others in North America, had turned to UK managers to direct the investment of its overseas assets.

For the City of London institutions on the receiving end, such words of esteem are equally reassuring to say the least. New business from the U.S. pension funds is an exciting prospect with huge sums at stake.

It is still early days. The U.S. Money Market Directory estimates at $318bn the total funds now invested against future pension requirements in the U.S. private sector. A recent report prepared by InterSec Research Corporation of New York, suggests that only just over 1 per cent of this, $3.25bn, was held overseas by the end of last year.

Weight

But there is no doubt that the proportion is growing apace. And in addition to the private sector there are U.S. government pension funds of $186bn, union funds of $34bn and other only slightly smaller sums associated with charity foundations, university endowments and the like adding further weight to the trend.

InterSec Research's estimate for foreign-managed U.S. pension funds at the end of 1981 was originally $5½bn but this now looks to have been a slight underestimate. Its latest study suggests that $20-25bn, or about 5 per cent of the total, could well be channelled directly overseas by the end of 1985.

It is clearly a trend which offers enormous potential fees. UK managers are working hard to persuade corporate treasurers considering the move that it merits finding new overseas managers as well.

It is a view endorsed by Mr Ed B. Warwick, manager of the Employee Investment Fund at Sun Company Incorporated. "We would expect London investors who were serious about U.S. investment to rely on American managers," he says, "and it cuts both ways. We feel the people in London have much more experience internationally."

Sun's pension funds at present total $875m. The company aims to have about 15 per cent of this invested in non-U.S. markets by the end of the 1980-85 period. So far, the proportion is 6½ per cent—most of it invested in 1980.

The company's Benefit Plans Investment Committee visited London last year. It sought out all the global investment managers it could find who were registered with the U.S. Securities Exchange Commission. "But there weren't very many of them," Mr Warwick recalls—a dozen in London and only a single one on the Continent, in Amsterdam.

Sun has taken on GT Capital Management, Lombard Odier, Ivory and Sime in Edinburgh and Aetna-Warburg. It has also switched to Morgan Guaranty in London some foreign assets previously held by the bank in New York. Each of these at June 30 had about $13m to invest.

There is nothing very new about the motives for investing outside U.S. markets—though the need to minimise the impact of volatile currency markets and take maximum advantage of countercyclical trends among the world's major economies has been perceived much more clearly in recent years.

But these motives need not necessarily lead U.S. pension fund managers to seek overseas asset management. Some portion of assets left with U.S. managers will normally be invested overseas, often through "co-mingle" or pooled funds where the U.S. manager takes assets from different accounts and invests them together.

Ford Motor, for example, presently has about 2 per cent of its $5.7bn pension assets invested in foreign markets, all of it channelled through one or other of its 15 domestic investment managers.

Ford is one of more than 100 major U.S. corporate accounts handled by Alliance Capital Management, an investment manager based in New York and handling about $10bn funds from the U.S. private sector by the end of June.

Alliance, which has an office in London as well as six in the U.S., has acknowledged the new regard for international management among U.S. treasurers. Earlier this month it flew all of its U.S. professional staff to London for an intensive session on foreign markets addressed by a host of City and political dignitaries, including Mr Edward Heath.

Fortunately for UK institutions, this kind of commitment to a global approach to investing still seems unusual in the U.S. "Many fund managers still show a kind of fortress mentality," says Mr David Feldman, assistant treasurer at American Telephone and Telegraph where they have begun a final selection process to choose additional managers for a foreign investment programme.

Foreign managers

A. T. and T. has pension funds of no less than $35bn. The company has 110 domestic fund managers and to date has contracted no part of the total directly to foreign managers. But this is now set to change "before too long" and A. T. and T. believes 5 per cent would be a sensible target for foreign management, to be achieved over a number of years.

Many candidate institutions have approached A. T. and T. over the past few years. The company says it has now talked to the major banks in every financial centre of Europe as well as many fund managers in London and a few in Edinburgh. It feels that a maximum of six managers would be appropriate and aims to make the final choice next year.

Another U.S. company one stage ahead on the same road is American Airlines. It last month announced the choice of Morgan Grenfell, Rowe Price-Fleming and N. M. Rothschild. On October 1 it alocated $40m to them and a further $10m will be passed over on November 1. The total represents just under 5 per cent of the $1.3bn held by the company's pension funds at the end of August.

Mr Jack Pope, American Airlines' treasurer, explains that the company did not deliberately choose London managers. It started with a list of 35 candidates, including 15 on the continent. Then a shortlist of five institutions led to the three successful competitors—which all hapened to be based in the City.

AA will keep a close eye on their activities. If the foreign management idea appears fruitful after "perhaps a year or two," the company might expand its commitment which it feels is consistent with a general move towards the concept of more specialised managers on the domestic front at the same time. Mr Pope has no idea yet what proportion of its pension funds could eventually be managed outside the U.S.—but he says he would not be comfortable with "more than 20 per cent."

AA has stipulated the varibus non-U.S. markets in which it would like to see its funds invested and has assigned a range of 40-60 per cent for Japan. This seems to concur with a general emphasis upon the Japanese markets by U.S. pension funds looking abroad.

Even this premium on the importance of Japan, however, does not appear to be impairing the attraction of London-based institutions as the controlling managers—though it does perhaps give important advantages to those like Rowe Price-Fleming who are seen to offer in-house expertise on the markets of the Far East generally.

Duncan Campbell-Smith

Brahma bulls trot past New York's Subtreasury Building as part of a television commercial for an investment firm

Tighter regulations in HK

EYEBROWS ARE still raised when the IOS or Granco Debacles are mentioned to unit trust managers in Hong Kong, but for the most part the ghosts of infamous funds past have been exorcised.

The 76 unit trusts managed from Hong Kong now boast assets of about HK$6 to 7bn, with an estimated half of that being claimed by unit trusts actually domiciled in Hong Kong. The other half are the assets of unit trusts registered in Hong Kong but domiciled in one of the prominent 11 offshore tax havens around the world.

In 1970, unit trusts managed in Hong Kong had estimated assets of HK$100m and, by 1978, HK$500m. The tremendous growth of the industry since then can be attributed to several factors, according to Mr Peter J. Pearson, managing director of Fidelity International Investment Management (Hong Kong).

"Hong Kong is probably the most efficient and inexpensive place to establish unit trusts and mutual funds," he says. "Legal fees tend to represent 80 per cent of start-up costs and in Hong Kong, standard offering documents and trust deed agreements are available through the secretary of the committee on unit trusts, reducing that cost considerably."

Additionally, it can take up to three or four months to establish a unit trust in other offshore centres, but Hong Kong's famous efficiency reduces that time significantly. Mr Pearson says, "in my own experience I have seen a fund established in six weeks, from concept through authorisation, and I think its a world record."

Still another advantage is that Hong Kong's code enables the fund to borrow up to 20 per cent of its assets for investment purposes and the managers are entitled to amortise the costs of establishing the funds in Hong Kong over a period of up to five years.

There are other reasons for fund managers to come to Hong Kong. The colony is close to Japan, Australia and the growing economies of the Asean countries (6 per cent to 10 per cent annually). It has a well-established trade and communications infrastructure and a laisser-faire economic philosophy with minimal government regulation.

Fund managers are relying on Hong Kong's traditional policies of minimal regulation and moderate taxation to continue. Currently, however, Hong Kong's unit trust taxation policies are the subject of some consternation among government officials, fund managers and unit holders alike.

The controversy arose with the Inland Revenue's determination that unit trusts are subject to Hong Kong's profits tax (currently 16.5 per cent for companies) if the unit trust could be deemed as having its main business to be that of an "habitual trader" of securities in Hong Kong. The difficulty stems from the fact that the securities ordinance does not specify what an habitual trader is.

The ramifications of such a decision would be far-reaching. Both trustees and the investment management of unit trusts are already subject to the normal profits tax as Hong Kong corporate entities, but to assign an annual profits tax to the unit trust itself would significantly reduce the value of units owned by investors. Further, the Inland Revenue contended that the amendment was intended to be retroactive to the inception of the unit trust in Hong Kong.

The other source of contention is a stamp tax. Individuals and institutions have accepted the stamp duty tax of 0.3 per cent imposed on the gross market value of shares when bought and sold on Hong Kong exchanges, but a recent attempt by the Government to consider unit trusts authorised for sale and redemption in Hong Kong as Hong Kong securities created a renewed storm of protest from the financial community. As noted by a number of Hong Kong fund mangers, solicitors and auditors, the effect of such legislation would be to damage Hong Kong's name as the region's pre-eminent financial centre.

Singapore

The arguments given were that many of the funds would move to Singapore and any new funds looking to establish headquarters in the Far East would be less likely to choose Hong Kong. In addition, the corporate profits tax now paid by Hong Kong-based fund managers and Hong Kong trustees would be paid to another government. Unit trusts are also providing direct and indirect employment for a large number of Hong Kong residents who are also paying income tax.

Fund managers are optimistic about the outlook and anticipate that after the publicity and further thought the matter may be settled satisfactorily. Mr Reudi Bischof, director of Schroders and Chartered, has confidence that the Government and the unit trust industry will iron out their differences by working together.

The geographical source of unit holders varies from fund to fund. Much depends on the fund's marketing network. Some fund managers trace their assets to institutions, some to individuals. A diversity of opinion exists as to what portion of the funds are coming from the UK. Mr Bischof puts the figure at 90 per cent, but other fund managers put the figure at less than 50 per cent.

While some unit trusts are comprised largely of overseas institutional money, the larger merchant banking operations in Hong Kong prefer discretionary portfolio management for portfolios valued at $0.5m. In any case, there is agreement that the funds are seeing a growing infusion of Middle Eastern money and North American money as well. The strictures of U.S. securities regulations make it difficult for U.S. funds to set up shop in Hong Kong and the only large presence is Fidelity International, which opened its doors in Hong Kong this year.

Portfolio managers in London, according to Mr Michael W. Banton, director of Henderson Baring Management, are currently advising their institutional clients to put 5 to 10 per cent of their assets in the Far East. As this amount may be less than the minimum a Hong Kong institution might be willing to manage as a discretionary fund, this money often finds its way into unit trusts.

Performance statistics on the Hong Kong-based funds vary considerably, the investment policies of the funds vary widely, although most are equity-oriented. Bond and currency funds and commodity funds are available in limited numbers. Those funds devoted to Australia are generally performing rather badly when compared to funds invested throughout the Pacific basin, or concentrating on Japan or South-East Asia.

The unit trust industry in Hong Kong may be outperforming world markets, and even Asian markets, but there are still a few thorns from a fund manager's point of view.

Mr Gavin Roberts, managing directer of Wardley Investment Services, cites another problem arising from vast capital and limited market potential for absorbing it. "Your flexibility is sometimes limited. Occasionally, we have to start selling or buying a security before we are ready in order to keep the market."

Volatile

Still another uncomfortable aspect of Hong Kong's market place is the 24-hour settlement rule, and then, indeed, there are the volatile markets of the Far East. Mr Roberts describes them as "emotional." He says, "Chinese-related markets tend to have mild swings, to overdo it on the upside and the down side."

Few doubt that the mid-term prospects for Hong Kong's financial growth are extremely good, although the longer term question of the New Territories' lease from the People's Republic of China looms on the 1997 horizon. Fund managers in Hong Kong, however, are more concerned with the immediate market situation, where prices have fallen sharply.

Mr Lawrence, of Jardine Fleming, observes that the recession in America and Europe only amounts to a slower rate of growth in Asia. "In many ways, Asia has grown more independent with its growth. We have an abundance of natural resources in countries like Malaysia, the technology in places like Japan, financial services and communications infrastructure in Hong Kong and Singapore, and huge potential markets in the People's Republic of China."

Katherine D'Arcy

UK discussions on controls for investment

THE LAISSEZ-FAIRE climate within which professional investment management has developed in the UK could be about to change. Until recently this new growth area within the financial services sector has been largely ignored by the UK statutory authorities, notwithstanding the massive three-year study by the Wilson Committee on the Financial Institutions which reported nearly 18 months ago.

The Wilson Committee focused on the transfer of shareholder power from private individuals to financial institutions in the past two decades and recommended legislation to control at least one major power base, the pension funds which control assets of upwards of £50bn.

Government, however, declined to find the time for a Pensions Act and the pension funds continue to operate with only the barest supervision by the Occupational Pensions Board (designed primarily to prevent tax evasion under the disguise of pension plans) and the antique body of trust law.

There is, of course, specific legislation controlling two of the other financial sectors where professional investment finds a natural home—the banks and the insurance companies. But the Acts which monitor those sectors were not designed with investment management supervision in mind.

The only other legislation which impinges on the field is the Prevention of Fraud (Investments) Act 1958 which for all its date is basically a pre-war statute aimed at preventing old-fashioned share pushing.

The PFI specifically excludes from its sphere of influence the like of stockbrokers, insurance companies and merchant banks which handle other people's investments. It concentrates instead on the unit trust movement, just beginning when it was enacted, and licensed dealers in securities.

It controls the unit trusts through a division of the Department of Trade which has the power to withhold or withdraw authorisation from any unit trust whose structure it disapproves of or whose management it believes falls short of a good standard. The powers are rarely used except in persuading new unit trusts to comply with recognised structures on inception.

Control over independent dealers in securities is even more minimal. Each dealer must obtain a DoT licence but that is a simple matter of paying £500 and producing two references and a hitherto clean record (or none) in investment.

The City has been aware for some time of the potential problems which could occur with the growth of the number of investment management groups bound only by dealing licences. The Bank of England encouraged the formation of an Association of Licensed Dealers in Securities with its own code of practice, and reserved a seat on the Council for the Securities Industry (the City's top non-statutory watchdog) for it. At the same time, however, it believed that this form of control would need to be backed up by tighter legislative controls.

Chain of scandals

In 1977 there was some talk of revising the PFI Act and a discussion paper was circulated, but nothing came of it. Government had other preoccupations.

Now a chain of scandals has given the reform lobby renewed strength and forced the current Government to reverse its decision not to review the PFI. Professor Jim Gower, the DoT's legal consultant on company affairs, has been set to studying the PFI and determining whether new legislation is needed to replace it.

For the first time the Government is looking specifically at investment management and investment advisors as a whole instead of just isolated corners of the field such as unit trusts or licensed dealers.

The impetus for Professor Gower's study — which is already expected to take at least three years to bear fruit — was a series of crashes involving licensed dealers or rather independent investment management groups controlled only by the PFI licensing requirements. The most notorious was the firm of Norton Warburg which collapsed early this year owing money to a wide range of private clients including a famous pop music group and some former employees of the Bank of England.

More recently there have been arrests at Miller Carnegie, an infant investment management group specialising in commodity and futures dealing for clients.

The problems were not confined to these fringe operators, however. In mid-summer the Stock Exchange took the unprecedented step of suspending an entire firm of stockbrokers, Halliday Simpson, halfway through a major investigation into its relationship with professional institutional dealers.

The investigation had been requested by one of the leading unit trust houses, Chieftain, which had sacked its investment manager. Within weeks the Stock Exchange had approached Arbuthnot Latham, one of the elite accepting houses, which promptly suspended its two senior investment managers responsible for its unitised and direct fund management division. The two men have since resigned.

The Stock Exchange study continues and is not expected to reach its first report stage until Christmas. It is widely expected to uncover considerable weaknesses in the control of dealings between professional investment managers and agents.

Already, however, the Stock Exchange has moved to tighten up its own rules which govern members of the exchange. In June it introduced a set of strict procedures which must be followed before stockbrokers contract to provide discretionary management of clients' funds.

The Council for the Securities Industry (CSI) has also been active in similar self-regulatory vein. Earlier this year it published a code covering the personal dealings of fund managers and recommended that every investment house impose it as an in-house requirement.

Clauses

More recently it drafted a paper entitled Rules for Investment Management containing 46 clauses covering every aspect of management from the degree of permissible discretion to sources of fees, dealing practices, and the amount and frequency of information to be disclosed to clients.

The paper, unfortunately, has been somewhat wrong-footed by the Government's sudden decision to call in Professor Gower to make a full investigation of the field. Before it did this, officials in the Department of Trade had indicated that although the basic legislation was unlikely to be revised, there was a chance that the regulations controlling licensed dealers might be tightened.

The CSI's paper was a response to that hint. It drew heavily on the Stock Exchange's new rules for discretionary management by stockbrokers, and the code of practice of the newly formed Licensed Dealers' Association. By its nature, however, much of its content applies to any type of investment manager and it is difficult to see why it should be imposed on licensed dealers alone and not on all investment groups.

For this reason the established investment institutions, particularly the merchant banks, have given the draft a hostile reception and it is now not likely to be submitted to the DoT without considerable revision or even a complete restructuring.

Both within the self-regulatory authorities, therefore, and within Government there are indications that the investment industry will come under deliberate and detailed control. The question now being raised in City luncheon rooms where investment managers meet is whether the drive for control will spawn a formal police force to supervise the industry, along the lines, say, of the U.S. Securities and Exchange Commission.

Traditionally, Government has been content to draw up broad legislation which leaves the daily supervision of markets, companies and the financial sector to the non-statutory bodies such as the Stock Exchange, the Accountancy Associations and the Takeover Panel. This relieves the statutory bodies of the expense of positive policing by a Government Department. It has also meant that rules can be altered within the delays inherent in reviews of statutory legislation.

There are no indications that the Government has lost sight of these two considerable benefits of self-regulation rather than statutory control, but the City harbours vague fears that Professor Gower's investigations may force him to recommend a more hands-on approach by Government.

The problem is that investment management is not nearly so homogenous a service industry as, say, banking, stockbroking or insurance underwriting. It is spread throughout a wide range of established institutions and a growing number of independent specialist bureaux. It is not necessarily located in the City. The latter's traditional power to regulate its own members, therefore, might be much less potent in the investment industry, and the formation of a self-controlling association might founder on the conflict of interests between potential member groups, and their lack of a common location.

If this is so, and if Government continues to want tight control over the sector, the City fears a governmental police force might be inevitable.

Christine Moir

Move to loosen constraints on U.S. banks

A FUNNY THING is happening to the Glass Steagall Act, the law passed in Washington nearly 50 years ago to separate the investment management functions of U.S. commercial and investment banks. Legislation is now being introduced in both the U.S. Senate and House of Representatives which could mean a radical change as to who can engage in fund management activities.

The Glass Steagall Act, introduced by Senator Glass and Steagall in 1933, was passed in the Roosevelt years as a part of sweeping bank legislation designed to protect depositors, investors and the U.S. economy. The law prohibits commercial banks from underwriting corporate securities while it states that investment houses are not allowed to take deposit money.

The law also prohibits interlocking directorates between commercial and investment banks. The Glass Steagall Act must be seen in the light of the stock market crash of 1929: the authors of the legislation viewed 1929 as an illustration of what can happen when commercial banks become involved in underwriting speculative securities or when they misallocate depositors' funds.

There are exceptions written into the Glass Steagall Act. Commercial banks may, for example, become involved in U.S. Government securities or "general obligation" bonds issued by state or local governments. But they may also become involved in some, but not all, "revenue bonds."

A general obligation bond is an issue which is backed by the taxing authority of the borrower. A revenue bond is backed by a specific revenue source, such as housing revenue.

Under the new legislation, which is being led by Senator Jake Garn, chairman of the Senate Banking Committee, commercial banks will be permitted to underwrite all types of revenue bonds.

In broad fund management terms, however, there is another major stimulus behind the new legislation. The growth of money market mutual funds over the past couple of years *has drained deposits* away from commercial and savings and loan institutions. Many commercial banks in the Sates feel they are restricted by law from introducing their own money market funds while non-banking institutions such as Merrill Lynch can reap large profits from this investment fad.

Under the new "omnibus" banking legislation, commercial banks, savings and loan groups, credit unions and others will be allowed to operate investment companies — including money market funds. One key staffer on the Senate Banking Committee explained: "It is no longer appropriate to restrict the activities of banks while non-banks perform investment functions traditionally undertaken by deposit institutions."

A number of banks argue that their trust accounts already give them a wealth of experience in investment management. Said a Congressional advocate of the new legislation: "You've got to open up these activities to banks or they'll be out of the game."

One major argument against changing the laws is that there is still an inherent danger in allowing commercial banks to operate in the investment area. The danger stems from the possibility of a concentration of financial resources which could limit competition; there is also concern about the financial risks to depositors of allowing major fund management by banks.

Rationale

Some opponents of legislative change see a conflict of interest in allowing banks to use depositors' funds in the securities market. However, the explosion of new non-banking institutional services seems to provide Senator Garn and others with a powerful rationale for helping the banks to fight back.

Mr Donald Regan, the Treasury Secretary, has not specified his preferences, but he has indicated the need for a sweeping review of the Glass Steagall Act.

It is not yet clear how the proposed legislation would affect the Securities and Exchange Commission (SEC), America's watchdog over the securities industry. There are several Federal agencies which regulate banking. These include the Federal Reserve, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board and the Controller of the Currency.

With the growth of money market mutual funds the SEC has seen its role expand somewhat, but the legislation would not necessarily mean that the SEC would regulate bank dealings in the investment area.

For the investing public, whether this be the private customer or the institutional investor, the opening up of bank investment companies could be quite a stimulus to the market. However, the nagging worries about the long-term implications of the move are not likely to go away.

The plan in Washington is for a series of hearings to be held in the House and Senate. This is a standard procedure and will allow the Reagan Administration an opportunity to express its views through official testimony. Likewise, the banks and the security houses will also visit Capitol Hill to present their views.

No action is expected to be taken before Christmas and it may well be early next year before the Congress votes on the proposed legislation. But the need for a review and a number of changes in the existing laws seems to be recognised by all parties concerned.

Alan Friedman

Crowds outside the New York Stock Exchange in 1929. The proposed legislation would loosen restrictions placed on banks by the Glass Steagall Act after the stock market crash in 1929.

Investment trusts take on new lease of life

IF SOME influential government advisers are perhaps regretting the decision to abandon exchange controls, investment trusts are certainly not.

That historic and unexpected move in October 1979 admittedly caught some of them with a lot of worthless dollar premium on their books—and thereby depressed asset values in the short term. Once the initial shock had passed, however, trusts gradually started to exploit the new freedoms by moving more money overseas and by developing new expertise in stock markets outside the UK.

Today, according to stockbrokers Wood, MacKenzie, some 44 per cent of investment trust portfolios are invested overseas, compared with perhaps 30 per cent before the lifting of exchange controls.

This gives trusts a truly international flavour and has *helped establish an identity* which for years many have conspicuously lacked. Admittedly the discount, the traditional measure of stock market sentiment, once again languished closer to 30 per cent than to 20 per cent, but this masks a new confidence at least among the more enterprising management groups.

How else can you explain the spate of new issues over the *last 12 months, the proceeds of* which (new companies and rights issues) amounted to some £120m ?

Unthinkable

Two years ago this sort of sum would have been unthinkable, with most commentators and analysts predicting if not urging a major contraction in the sector through unitisations or takeovers. As a result of these there has in fact been little net new money added to the sector. Trusts until remarkably recently were still living in the shadow of the 1974 bear market—when in many cases asset values actually vanished completely. Up to about 18 months ago pension funds were still gratefully taking advantage of shareholders' disillusion by launching the occasional cheeky bid.

The change in sentiment cannot just, of course, be attributed to the abolition of exchange controls. Investment trusts have always been international investors, if not always on such a large scale, and the feeling in the early days following the removal of exchange barriers was that some institutional shareholders would decide to take overseas investment management more seriously and tackle it themselves. As a result, the theory went, they might prove to be net sellers of investment trust shares.

Many investment trust managers look back to the 1980 Finance Act as an important watershed. This abolished the old capital gains tax liability on investment and unit trusts and at the same time removed the fiscal drawback of the former as an investment vehicle for non-taxpaying investors like pension funds.

Increasing awareness of this technical improvement and the enthusiasm of both private and institutional investors for overseas markets combined with the strong showing of world stock prices made 1980 a year for investment trusts to remember.

The Financial Times Actuaries All Share Index (net income reinvested) was up by almost 33 per cent over the year and even Wall Street (the S and P Composite gross income reinvested) and Tokyo (the Tokyo New SE gross income reinvested) were up 23 per cent and 18.8 per cent in sterling terms. Helped by a narrowing of the discount, however, investment trust share prices leapt ahead by 53.9 per cent, almost *half their gain* of all the previous four years.

But new issues have only been acceptable to investors because the managers making them have offered their expertise and know-how in areas which are well defined and, it must be said, currently fashionable. Energy (last year), technology, small companies, the Far East and (most recently) biotechnology are the sort of *buzz words that make the* average institutional fund manager's mouth water. Independent Investment Trust (from Ivory and Sime), New Darien, New Tokyo, Murray Technology and Stewart Enterprise are examples of vehicles floated off at asset value when in most cases existing trusts in the same management group were standing at substantial discounts.

As a result many observers wonder why investors think the new companies are going to be better run and why share prices in due course will not reflect discounts on net asset values.

The answer is by no means obvious but a major reason for the success of new issues is better marketing. Investment trusts rightly point out today that in 1972—the last time there was a spate of new issues—the public was clamouring for global money management with perhaps a strong UK emphasis. Trusts' good overall performance in the previous 10 years was thought sufficient to justify the launch of new funds and indeed they were eagerly snapped up by investors.

The recent batch of new issues reflect changed market conditions. Realising that their *image as the general portfolio* managers had been tarnished by bear markets and in some cases made obsolete through steady net selling by the private investor, trusts have mostly looked for a new role as specialists in areas which their institutional shareholders are unable or unwilling to research on their own account. Little has been left to chance. The chosen *objectives normally reflect* proven expertise in a currently fashionable area and the preplacing of substantial chunks of the new equity beforehand illustrates the care taken to ensure success.

Without the abolition of exchange controls and the resulting enthusiasm for overseas investment it is doubtful whether the investment trust movement would have been granted this new lease of life.

Not everything is rosy, of course. The more enterprising and *opportunistic management* groups with a track record to justify asking for more money have obviously caught the headlines and temporarily deflected attention from some of the problems.

Initiated

To be fair, a number of companies, such as those in the Murray Johnstone stable, Winterbottom Energy (as it now is) and Crossfriars, have initiated important if less spectacular changes. Investment aims have been altered and existing assets redirected towards sectors which they feel are of more interest to the market.

But there is no escaping the fact that the investment trust average discount in the wake of the recent sudden crash in *worldwide equity* values was still historically high at just under 30 per cent.

This is underlined by the fact that since the disappearance of the dollar premium and the removal of capital gains tax on portfolios quoted net assets are much closer to what investors would actually receive in a liquidation. Prior to these changes, trust assets after a *break up would almost certainly* have been reduced by a contingent capital gains tax liability and by the thinness of the dollar premium market. Forced sellers invariably moved the price against themselves.

These days, though, the range of discounts is much wider than in the past when they were bunched fairly close to the average. *Some trusts* are quoted at a premium and others at the other end of the spectrum languish at discounts of well over 35 per cent. Thus there are plenty of companies which have not reacted to the changing structure of the sector and which are still punished by a poor rating.

What has happened is that investors are now much more discerning, concentrating on the relative attraction of different management groups and the assets in their portfolios rather than small discrepancies in discounts.

As Mr Ted Sellers, of stockbrokers Laing and Cruickshank points out, the difficulty at the moment is choosing between those trusts which are doing something exciting—but which have already been rerated—and those with wide discounts which look out of line with the rest of the sector or even vulnerable to a takeover.

The latter is now something of a long shot for managers sleep much more easily than they did in the mid-to-late 1970s when predators were rumoured to be prowling any trust with a nice blue chip portfolio.

The motive for pension fund *bids was largely to gain entry* into overseas markets and bypass the dollar premium. Now the premium no longer exists most of the really big cash rich funds can happily achieve this objective on their own.

Investment trusts have gained a breathing space in the past couple of years which has helped certain management groups regain their confidence. Others, however, *have to justify* their existence under new market conditions and may find that if they do not soon do so the pressure for unitisations and takeovers will return.

Tim Dickson

BEST AND WORST PERFORMANCES END-SEPTEMBER 1976 TO END-SEPTEMBER 1981

Best	WM hist. performance per annum†	Worst	WM hist. performance per annum†
Crescent Japan	+20.1	F and C Europe Tst	− 7.4
Viking Resources	+18.6	Shires	− 5.6
Atlantic Assets	+16.8	Colonial Secs	− 2.0
GT Japan	+13.4	Drayton Premier	− 1.7
Lancs and London	+12.3	Drayton Consolidated	− 1.5
Berry	+10.7	Temple Bar	− 1.3
Edinburgh American	+10.4	Drayton Commercial	− 0.6
North Brit Canadian	+10.2	London and Lennox	− 0.3
Updown	+10.0	BIGIT	− 0.3
City and Foreign	+ 9.9	Montague Boston	− 0.2
Northern Secs	+ 9.9		
Whitbread	+ 9.9		

† See text.

Source: Wood Mackenzie.

Strategies to limit risk

OVER THE past year the raging controversy over Modern Portfolio Theory has lost some of its fervour. *MPT relies upon* the efficient market principle: that the current price of a stock fully reflects all the information relevant to future returns and therefore it is virtually impossible to beat the market by concentrating on picking stocks which are wrongly valued in the market. The correlation of the efficient market premise is that future price changes will be independent of the current price and, therefore, current prices cannot be used as a predictive tool.

Acceptance of the theory drives adherents — numerous and vocal in the U.S. during the 1970s—to the conclusion "if you can't beat 'em, join 'em." If the market is efficient, the best thing to invest in is the market, or rather its proxy, the All-Share index or the Standard and Poors 500.

In that way, it is argued, one will never do worse than the market as a whole. Of course, one will also not outperform the market but for practising fund managers the limitation on the downside risk is more comforting to have to report and in any case the theory rules out consistently better performance.

Thus index-linking became a major investment stratagem. Wells Fargo, the U.S. bank which has been in the forefront of Applied Modern Portfolio Theory, last year claimed to manage about $4bn of the $12bn of U.S. portfolios openly index linked.

Wells Fargo tripped up, however, when it came to introduce the concept to the UK. In the *first place transferring* to an index-linked manager was not cost efficient by a quirk of British tax law. Second, UK fund managers were either not very knowledgeable about MPT or refused to submit to its blandishments.

At the same time, the theory was somewhat undermined in the U.S. by the failure of some index-linked funds to match the *market's overall gain—due it is* said, either to peculiarities in the index or the fact that clients committed too small proportions of their portfolios to the index-linked fund. The net *result of this was that* Battermarch, one of the leading indexed managers, opted to withdraw from simple indexing and offer only specially tailored funds tilted towards certain constituents of the index.

A further setback in the UK occurred when the 1980 performance report was published by R. Watson and Sons, the consulting actuaries. Watson reported that for 1980 stock selection in the UK equities market "accounted for approximately three-fifths of the variation in overall performance ratios."

Principles

To be fair, Watson's longer-term study showed that on average UK pension funds underperformed the FTA-All Share index in each of the years between 1973 and 1979 but last year the average fund matched the index or just outperformed it, according to other studies. And, meanwhile, the notion that skill in picking stocks could make a difference of such a degree in performance hit at the roots of efficient market principles.

It is not easy to see what will develop next. Cynical U.S. commentators, such as Morgan Guaranty Trust, claim that MPT will go the way of all fads over-enthusiastically supported in the early stages. There is another equally cynical view, however. Michael Bullock, a director of Morgan Grenfell Investment Services, points out that indexing comes into its own in a bear market. This is the comforting element; it is easier *for a fund manager* to report that his portfolio has slumped in line with the market than that he went against the market and performed even worse.

Modern Portfolio Theory, and its offspring passive investment in the index, therefore, may be in for a rocky ride. But study of it has focused investment managers' attention on the efficacy and cost efficiency of *chasing performance* by constantly switching equity holdings.

Three factors must be taken into account: share selection skills; the cost in time and *money of switching holdings;* and the need to diversify risk.

The premise of MPT—that it is virtually impossible to beat the market—has caused investment managers to start monitoring their dealers' ability. A number of major institutions have accepted that they have minimal selection skills in, say, the blue chip stocks which are widely monitored by large numbers of analysts. They may also, individually, be weak on analysis in certain sectors. In those cases it makes sense to hold the market weighting in those blue chips or sectors on a passive basis, not wasting time, and energy on analysing and choosing stocks in this area. The notion is particularly attractive where it frees scarce manpower resources to concentrate on stock selection in areas where there are visible skills.

Many fund managers have also been driven to reconsider a high level of dealing activity by the simple cost in terms of time and money. For the biggest funds in the UK, whose actions can move markets, the cost is exacerbated by the fact that dealing on a large enough scale to be efficient could drive the market in the opposite direction to the move intended.

These two factors combined have led at least one major pension fund—the Post Office Pension Fund, which is the country's largest—to split the UK equity section of its £3.5bn portfolio into two elements. It now maintains a core portfolio, ultimately expected to represent 80 per cent of the total UK equity holdings, which are routinely held and topped up proportionately but not actively managed. The remaining 20 per cent is entrusted to discretionary managers who are encouraged to seize investment opportunities which reveal themselves.

GT Management, which claims to have $1.6bn in assets managed worldwide, has adopted a similar approach, which it describes as a "master list" system. Its managers are required to hold 75 per cent of their portfolio in a limited list of stocks which is reviewed quarterly. *They have full discretion* over the remaining 25 per cent. The skills they apply in that 25 per cent are monitored by a performance measurement system which assumes that 100 per cent of the portfolio is invested in the Master List—a severe way of revealing shortcomings in performance on the actual independent 25 per cent, if there is under-performance.

Another group of fund managers have applied MPT as a result of studying the third factor: the concentration of holdings. MPT does not drive any investor into passive index holdings, rather it encourages awareness of the risk taken by an investor which diverges from the market.

Performance

The question of risk is a complex one, touched on elsewhere in this survey, but for the purpose of asset allocation there is one important principle. Well-established studies have revealed that it is necessary to diversify one's holdings to a degree in order to eliminate the specific risk of any one stock underperforming badly enough to reduce the overall performance of the portfolio.

This concept—based on the folklore of not holding all one's eggs in one basket—became muddled with the MPT theory that a portfolio representing the market would eliminate all market risk in the sense that it would not underperform the market.

The study of diversification of risk has become more sophisticated, however, and recent experience has suggested that diversification beyond a certain point entails little extra reduction in risk compared with the time and energy spent in managing large numbers of holdings. A number of fund managers have, in consequence, reduced their numbers of holdings in any particular sector to a point where the studies suggest 90 per cent of the market risk is eliminated but the numbers are still manageable.

Christine Moir

The big institutions as shareholders

FUND MANAGERS have had a bad press during the last few months. Their whole approach to the long-term investment of funds has been thrown into question by the manner in which the control of a number of large companies has changed hands in the market place in a matter of minutes, seemingly without consideration for anything apart from short-term share price movements.

A couple of pence more than the market price has been enough to persuade certain fund managers to forget the idea that they are anything more than paper shufflers—and not especially astute ones, at that. More often than not, people who have sold out in a "dawn raid" have missed the chance of a better price at a later date.

Yet there are plenty of major investors who recognise that a shareholding brings with it responsibilities as well as rights. One of the leaders among those institutions who are trying to develop a better understanding with the companies in which they hold shares is the Prudential.

The group is trying to develop a regular dialogue at a senior level with roughly 200 companies. These are made up of the largest companies by market capitalisation, and those smaller companies in which the Pru holds a major shareholding.

The aim is to arrange a meeting about once a year between top management of the company and one of the Pru's five senior investment managers. Further down the hierarchy, individual fund managers would also be expected to be in contact with the companies in which they have a special interest.

Mr Brian Medhurst, the chief investment manager, stresses that the idea is not to second guess company managers, or to tell them how to do their job. Rather, the objective is to build a friendly and continuing relationship, with the two main aims in view. One is to enable the Pru to make an informed judgement at critical moments in a company's history—at the time of a takeover bid, for instance. The other is to be able to express an informed opinion on those matters in which shareholders do have a legitimate interest. These include board structures, gearing levels, and diversification strategy.

"We want to encourage good management," says Mr Medhurst. "We're not just wanting to become involved at moments of crisis: far from it."

Is it fair for one shareholder, however important, to seek a special relationship with management? Mr Medhurst is in no doubt that to argue otherwise would be counter-productive. A company cannot talk frankly to all its shareholders, and the Pru believes it has a substantial community of interest with other shareholders.

The Prudential Assurance Company's head-quarters in High Holborn.

Permanent

The Pru is such a large investor that it is likely to have a more or less permanent core holding in most large companies. In order to be competitive in terms of market performance, it has to be ready to buy and sell shares in individual companies — but since the core holding is likely to remain in its portfolio, it can still retain a continuing dialogue with management.

The Pru's attitude to takeover bids is straightforward. "If a board pleads for its independence, we will normally give them our support if its record is good," says Mr Medhurst. In these circumstances, short-term share price movements are not a prime consideration.

He also argues that market raids by bidders ahead of documentation is contrary to the spirit of the Takeover Code, which is intended to make companies go through the discipline of spelling out their bid motives, and of explaining how their move will affect other interested parties, like employees. Investing institutions are only paying lip service to the Code if they are willing to sell out in a market raid, says Mr Medhurst, who as a member of the Council for the Securities Industry helped to frame the new measures which limit a bidder's freedom of action in the market place.

How successful has the Pru been in its relationships with company management? "We don't want to claim victories," Mr Medhurst says, "but we do believe that our attitude has made a contribution, particularly in the area of board structures."

The Pru is a firm believer in the virtues of non-executive directors. It is hotly opposed to any suggestion of a statutory obligation on companies to appoint such directors—"you could just pick three men off the street"—but it does whatever it can to persuade managers that at least two or three non-executive directors are a worthwhile addition to any board. However the group is firmly against appointing its own nominees as directors, since it believes that the board would be polarised by such an intervention.

So the Pru supports the plans for a new agency to encourage the appointment of non-executive directors. This, it is understood, is currently being established under the lead of the Bank of England, the Confederation of British Industry, the Stock Exchange, and various groups of City institutions. The chairman is Sir Maurice Laing, who hopes that the name of the chief executive will be announced towards the end of December, and that the agency will be fully operational by next March. Its job will be to persuade companies to appoint non-executive directors, and to release experienced executives to help other companies. It will also help to bring the two together.

The Pru—like other big institutional investors — has come to the view that it is better in general to develop a direct relationship with companies, as opposed to operating through some central body of institutional investors.

The Institutional Shareholders Committee was set up under the lead of the Bank of England in the early 1970s, but it was seldom able to develop a satisfactory dialogue with company managements. Its interest in a company came to be regarded as a mark of disapproval, and it was seen accordingly by managers as a challenge and a threat.

The Committee's main role today is to act as a forum at which different groups of institutional investors can discuss general matters of common interest.

The Investment Protection committees, which operate within the British Insurance Association and the National Association of Pension Funds, have a more active function. But, as their name implies, they are concerned with matters of shareholder protection—technical matters about particular companies, or general issues within the framework of the Takeover Code or the Council for the Securities Industry. It is not their prime role to assess and influence the quality of a company's management.

Relationships

Mr Medhurst recognises that in a number of respects the Pru is uniquely well placed to build up long-term relationships with the companies in which it is invested. Smaller institutions may not have the resources to establish regular links with companies and, rather than keeping a core shareholding in a business, they may well decide to sell out altogether in hard times.

In addition, the trustee and the fund manager are much more closely linked in a large insurance office than might be the case in, say, a pension fund where the management has been delegated to a merchant bank or stockbroker. In the latter circumstance, there may be much greater pressure on the fund manager to concentrate on short-term performance almost regardless of any other consideration.

Yet Mr Medhurst argues that all investing institutions which have considerable freedom in the way they invest, like the pension funds and insurance companies, ought to remember that this favourable treatment has to be justified. Such funds need to be an effective way of channelling the nation's savings into industry—and that necessarily involves taking a long term view of investment.

Richard Lambert

Specialist yardsticks to measure performance

AMERICAN fund sponsors have long been used to having a battery of services at their disposal by which they can measure the achievement of their investment managers.

It is only in the past five years, however, that similar organisations have appeared on this side of the Atlantic. They have now proliferated to the point where the Pension Research Accountants Group (PRAG) has recently published a booklet* describing all the services on offer in the UK and the basic differences between them.

PRAG identified 10 groups offering some form of measurement service—usually, but not always, for pension fund trustees and managers. The most commonly used, broadly based services are those provided by Wood Mackenzie, the Edinburgh-based stockbroker, which has 550 funds with assets of £25.5bn on its service; Bacon and Woodrow, the consulting actuary, with 200 or so funds; R. Watson and Sons, another firm of actuaries measuring assets of £12.4bn for 150 funds; and Cubie Wood, a pensions consultancy within the Noble Lowndes insurance group, which measures 450 portfolios.

As the services have developed so their degree of sophistication has also increased. In the past year three major developments were observable: the inclusion of a property measure; the refinement of weighting techniques; and the introduction of international measurement services.

Benchmark

Property has always posed an enormous problem for precise computerised measurement. Unlike gilt-edged securities or equities there is no continuously observable market which can provide a benchmark for individual funds' performance.

In recent years some of the major surveying firms—Jones Lang Wootton, Richard Ellis, Michael Laurie, Hillier Parker May and Rowden, and more recently Mason Phillips—have begun to formulate indices of property rents and/or capital growth.

For some time the more broadly based measurement services refused to incorporate property into their systems despite the fact that this distorted the overall picture for UK pension funds which on average have a sixth of their assets in property and sometimes as much as a third.

The problems lay in accepting the indices as true reflections of the market; all have some degree or other of subjectivity and artificiality. Even worse, the data supplied by the funds on property were both subjective and based on widely differing valuations.

Some progress has now been made in standardising the data submitted by the individual funds and while the indices still lack full credibility they too have been refined to the point where they can be accepted in the absence of anything better.

Controversy is not restricted, however, to the property sector. It also occurs in the basic measurement services which monitor equities and gilts, particularly if the measurement of a fund's performance is made against the FT indices. The rate of return on a growing portfolio will be influenced by the timing and the amount of its cash flow, both of which can distort the comparison with an index.

The organisations offering measurement systems are now deeply embroiled in the refining of weighting calculations which can eliminate those distortions, but they are far from agreeing with each other on either the appropriate calculations (and their frequency) or even whether the money-weighted approach is more practical than a time-weighted system.

Another area which continues to give rise to problems is the measurement of international portfolios. The diversification by UK funds into international securities and property is now well established.

The necessity to monitor their performance is obvious. Several U.S. specialists already exist which provide international measurement services, two of the leaders being Intersec and Frank Russell, both specialists in pensions consultancy.

In the past year several UK groups have also extended their services into the international field. First among them was Wood Mackenzie, closely followed by Bacon and Woodrow.

If there are problems in adjusting the returns on domestic portfolios these are many times magnified in the international arena by the need to eliminate currency distortions both at the time of investment and on consolidation into the base currency used for the fund's annual report.

Furthermore, there are few useful benchmarks. It is possible to evaluate a portfolio of securities held in one country against the local index in most of the world's major markets, although some of the local indices have visible flaws.

Capital International, a U.S.-based research group, offers a World Index which most practitioners accept, like the UK property indices, in the absence of anything better. But the index cannot be simply applied. Several adjustments have to be made before it can be used as a differentiator between domestic and international portfolios.

When it comes to fixed interest and bond investments in foreign currencies, moreover, all benchmarks disappear. There are simply no acceptable indices for such securities to compare with the FT-Actuaries Gilts indices.

The measurement systems discussed so far attempt to assess a manager's performance against either the market (or more properly, the index which is taken as the market proxy) or against other managers (the league table approach). But there is another way of looking at performance. Trustees and boards in the U.S. have long been accustomed to evaluating the return achieved by their investment managers against the risk they have taken in obtaining a return.

There are two basic approaches to risk analysis, highly developed in the U.S. but less understood here — possibly, as some opponents claim, because of their irrelevance to the practical needs of UK fund managers.

Volatility

The first of these is beta analysis, which plots the volatility of a particular stock in the market. A share's "beta" is a function of how far it varies from the overall fluctuations of the index. The idea, therefore, is to hold high beta stocks in a rising market, since high betas outperform the market on the way up; and low beta stocks in a bear market, since they are the more defensive stocks which hold their own when the market is tumbling.

If a fund manager or his supervisors are "risk averse," the approach would be to hold stocks with betas which mirror the market, so performance would then rise or fall with the market and neither more nor less.

The problem with beta analysis is that it measures capital gains or losses on stocks, whereas it can be argued, the long-term investor is concerned less with capital movements than with income.

The second approach to risk analysis is to find a "risk-free" investment with a given rate of return against which the return of the fund can be measured. In the U.S. dated Government fixed interest securities are used as the "risk-free" measure. If a fund's investments do not produce more than the return on such securities the risk inherent in buying anything else is not acceptable.

Neither approach has won wide-spread support in the UK, although they are available. The London Business School, for instance, offers beta analysis to subscribers, and Dr Desmond Corner at Exeter University is developing a system for measuring unit trusts which highlights their performance after adjustments for the beta ratings of their holdings.

Risk-free comparisons have largely been avoided because it is argued that pension funds' long-term liabilities have forced them away from monetary assets into equity-type assets intended to match the growth in salaries of future dependants. Matching against Government fixed interest stocks, therefore, was regarded as irrelevant until recently and no other suitable asset was available.

** Measurement of Investment Performance for UK Pension Funds by PRAG. Published by CARL Communications, 60 Thames Street, Middlesex TQ16 6AE. Price £2.50.*

Christine Moir

Indexed stocks pose a challenge for managers

UNTIL THIS year index-linked investments, confined as they were to the small savings of the elderly, have been on the periphery of the investment scene. But with the Government likely to complete at least £4bn of index-linked funding in the current financial year (and it could yet be much more) the investment community has been faced with the first stage of a *revolution*.

The tax problems involved in selling index-linked gilt-edged securities other than to the tax-exempt pension funds have, however, meant that indexed assets have yet to find their proper place within the spectrum of investment opportunities.

The first two issues of indexed gilts, a 15-year stock launched last spring and a 25-year variant issued in the early summer, could only be held by pension funds. This meant that the value of the stocks—and thus the real rate of return generated by them—was determined by the actuarial requirements of pension funds.

Initially, the first stock boasted a certain amount of rarity value, but by the time the second issue came along the dominant factor was that the actuaries insisted that a real return of close to 3 per cent was required if pension funds were to remain solvent on the basis of existing contribution rates. So both the stocks, which carry index-linked coupons of 2 per cent, have gone to significant discounts to their nominal values.

The issue of these limited amounts of indexed stock has *not yet transformed the management* of the typical pension funds portfolio. This could not happen when the two stocks represent less than 2 per cent of the total value of assets held by UK pension funds. However, even with indexed issues on such a limited scale it is possible for small, specialist pension funds to buy these stocks heavily and use them to secure index-linked benefits. One or two insurance companies have offered such schemes on the self-employed market.

For the moment these may seem a rather expensive way of buying a pension, and with only two stocks in issue the spread of maturities leaves a lot to be desired. However, it is the first stage towards the ideal—so far unattainable outside the public sector—that the pension scheme beneficiary should be able to anticipate that his benefits (after retirement, as well as before) are secure against erosion by inflation.

For fund managers, the challenge posed by the indexed stocks is that for the first time there is a *risk-free yardstick* against which their portfolio performance will be judged. The normal pattern is that funds buy a spread of various types of investments like UK equities, properties, fixed coupon gilts and foreign securities, and hope that in the long run this generates the required rate of return over the above inflation.

If the real returns on these other types of investment look like slipping, then at least there is now an alternative.

Outside the privileged tax-free zone of the pension funds, index-linked securities would probably be judged attractive on a lower return. This is because income tax and capital gains tax significantly reduce the real returns which can be achieved on competitive investments. The taxes on gilt-edged dividends, or on gains on share dealing, often mostly represent inflation taxes rather than charges on real gains.

Granny bonds

As far as the small saver is concerned, a much lower return is available on the index-linked national savings certificates once known as "granny bonds" but now available to all sections of the population. Significant sales have been made over the years on the basis of a real return which is only of the order of 0.5 per cent.

For most of the time, this real return has still be much better than the negative real income on alternative small savings like building society share accounts or clearing bank seven-day deposit accounts. However, the index-linked certificates are rather less convenient and liquid, and there have been fairly severe limits on maximum holdings — though these havenow been increased to £3,000 a head.

It was only at the beginning of last month that the index-linked certificates became universally available so it is too soon to judge how successful they will prove. For tax reasons, they should be very attractive to those paying high rates of income tax. It is also true, however, that real rates of interest on other kinds of savings instruments have recently been rising sharply, so the attraction of a secure nil return is by no means as great as it was a few years ago when the real rate of return on a building society deposit was often of the order of minus 10 per cent.

No doubt investors' keenness to seek an inflation-proofed bolthole will depend very much *on the climate of opinion about* the future trend of the inflation rate. At present there are no widespread fears that inflation will accelerate significantly, even though it is proving disappointingly slow in coming down further.

It could look different, however, if sterling continues to be weak and the Government loses control of the next pay round, or adopts more overtly reflationary policies.

For fund managers faced with a choice between indexed and non-indexed investments, the job will be to play off safety and a low return against risk and, with luck, a higher return. In non-inflationary times in the past investments like Consols provided the safety-first element in portfolios, though in recent times inflation has turned traditional gilt-edged into really quite speculative investments.

The biggest challenge, perhaps, will be faced by the unit trusts if indexed gilts become available to all. Then it will no longer be enough to argue that units represent some kind of hedge against inflation—a big selling point in the 1960s and 1970s. Units, being obviously risky and volatile in value, will have to offer investors the prospect of a decent extra return over and above the rate of inflation.

Certainly fund managers will have to monitor their performance very carefully against the inflation rate. It will no longer be so easy to present crude monetary gains as somehow representing "growth" if this growth is nothing more than a monetary illusion.

Barry Riley

Sterling moves to pastures new

THE LAST two years have been a time of rapid change for fund managers in charge of short-term liquidity deployment in investment institutions and industry—and for small investors as well.

Two factors have made this period a time of profitable opportunity laced with many potential pitfalls. First, the ending of exchange controls in *October 1979 opened up the full* array of investment possibilities in short-term deposits in foreign currencies to British residents previously blind to many of the more interesting colours of the worldwide financial spectrum.

Second, the massive interest rate-induced shifts of the dollar against sterling and other important European currencies over this period—one of the most turbulent since the breakdown of fixed exchange rates a decade ago—have sharply increased the opportunities for both profits and losses.

There are now signs that some of the more extraordinary features of the period are about to end, following the gentle decline in short-term U.S. interest rates and the reversion to more normal levels for the dollar over the past month. At the same time, though the weakening of sterling and speculation that the lifting of exchange *controls two years ago* might not prove permanent have led to warnings from at least one well-known corporate treasurer that cash managers should take anticipatory action now to protect themselves in the event of any reimposition.

Managers also need to stay abreast of new techniques for deploying short-term investments. They need to look for both flexibility and profitability in the tricky job of matching financial assets to tax positions, general commercial exposures and the structure of the company.

One of the possibilities attractting the most attention is investment on the financial futures market, pioneered in the U.S. and due to start in London next year. Financial futures allow investors to hedge future commitments in interest rates and foreign exchange—a kind of insurance policy against wild and potentially ruinous fluctuations in currencies and borrowing costs.

There has been no doubt of the enthusiasm of corporate treasurers to build up short-term currency stocks following the exchange control removal. According to the Bank of England, most of the £5bn increase in foreign currency deposits held by UK residents in UK banks between end-September 1979 and mid-1981 was attributable to industrial and commercial companies and financial instiutions.

Loophole

Canny corporate treasurers have also been quick to take advantage of another loophole *which opened up after October* 1979; they have been able to build up deposits of sterling in banks in European financial centres such as Brussels, Paris and Amsterdam—the so-called Eurosterling market. These banks offer a slightly higher rate of interest compared with deposits in the UK.

The major impetus to the growth of foreign deposits has been high interest rates abroad—particularly on dollars—and the opportunity for capital *appreciation which set in following* the decline in sterling from its peak above $2.40 at the start of 1981. The Bank of England believes that growing international business and the increased desire of companies with outstanding currency debts to cover their liabilities have also contributed to the rise. Many companies and investment institutions these days deal directly on the wholesale money markets. They have fully-equipped dealing rooms resembling those of banks—and can consequently take speedy advantage of profitable shifts in interest and currency rates in London and other financial centres.

As a further way of refining their techniques, treasurers in Britain have been treated during the past year or so to a bombardment of publicity on the potential uses of financial futures. By buying or selling, say, Treasury bills, a short-term sterling certificate of deposit or D-Marks at set rates for three or six months forward, fund managers can "lock in" the cost of the transaction and guard against unfavourable rate transactions.

The London International Financial Futures Exchange is due to open in the Royal Exchange building, probably next autumn. So far corporate treasurers have shown moderate interest, but they are unwilling to take the plunge towards active participation straight away. That may change if the market proves that financial futures can make a definite contribution to cost-saving and greater investment efficiency.

An even greater shock to the nervous system for many cash managers may, however, take place if the exchange controls abolition is reversed at some point in the future. Mr Archie Donaldson, the deputy treasurer *of Imperial Chemical Industries*, who is in charge of ICI's day-to-day international money management, has already painted the writing on the wall.

He warned during the summer that controls could be reimposed at short notice by either the present Government or the next. And he advised company finance managers to take measures "while there is still freedom to do so" to prepare for the possibility.

David Marsh

Increasing interest in commodities

INSTITUTIONAL FUND managers are mostly content to choose from the wide range of equity, property and fixed interest opportunities available round the world. These are income earning assets which provide a steady flow of money to pay the benefits of their policy-holders (if they be insurance companies) or members (in the case of pension funds).

The disappearance of exchange controls has undoubtedly widened equity horizons in the last couple of years and there are signs that certain managers are showing an increasing interest in non-traditional areas such as commodities and currencies. New funds have been launched recently in both these spheres often with the private investor in mind but managers of a number of institutions have also been attracted.

Commodities and short-term foreign currency deposits, many would argue, are not the most suitable investments for a pension fund or insurance company. The old school certainly would say that, like the much-publicised works of art, which one or two big funds have stashed away in their basements, commodities do *not* produce any income (indeed there is a potentially negative effect if you take into account storage and insurance costs) and that, while they provide one way of making money, they are unnecessarily risky when set against the underlying aims of the funds.

In addition pension fund trustees (notably trade union representatives) can understand and sympathise with the idea of putting money into a metal bashing enterprise but when it comes to trading cocoa and interest rate futures an inevitable suspicion arises.

Forbidden

Unit linked life insurance companies are forbidden by the Department of Trade to make certain types of investment (among them commodities) but traditional companies and pension funds are legally free to put their money where they like.

The large insurance companies and pension funds tend to have their own in-house specialists in mining stocks and commodities and are generally reluctant to seek outside help when it comes to commodities. But a number of medium-sized institutions who nonetheless do their own management are not so well covered here and some tend to look around for outside support.

There are a wide range of specialist funds on the market, ranging from the necessarily cautious authorised unit trusts (which are only allowed to invest in commodity shares) to the more risky offshore funds whose assets are in physicals and therefore spend a lot of time arguing the long-term case for commodities.

The biggest and probably most conservatively managed offshore fund is the N. M. Rothschild Asset Management Old Court Commodity Trust which is currently around £28m. As a general rule the portfolio is 50 per cent invested in commodity shares with the balance in physicals. It is never geared and although options can be written it is not allowed to go short. A slightly more risky alternative is the $21m Rothschild Old Court Dollar Commodity Fund, which is about 25 per cent in shares with the rest in physicals.

Rothschild's Mr John Gittings says that the majority of holders (especially in the dollar-denominated fund) are institutions and that, especially in the past couple of years, there has been increasing interest from medium-sized self-managed *pension funds and insurance companies*. "The amount they put in is only a small chunk for them but institutions are realising the opportunities to be had in specialist situations."

Offshore

Save and Prosper also has a conservatively managed offshore commodity fund which is not permitted to go short but it can gear up to one and a half times the value of the fund.

At the riskier end are the funds run by Bishopsgate Commodity Services: Armac, Count and Canhro. The latter was particularly devised with small institutional holders in mind.

Another popular investment area has been straight short-term currency deposits and funds, which have sprouted up particularly in the past few months. These have mainly been marketed to private investors on the grounds that the sharp fluctuations provide opportunities for those who can read the future to make significant gains. Uncertainties in the UK and overseas equity markets and the fact that interest rates in many countries have been offering an attractive real return have encouraged demand for this type of vehicle.

Many institutions take the view that they are getting exposure to currency through their overseas equity and bond investments and do not therefore view currencies as a separate investment area.

Scottish Amicable, on the other hand, is an example of a company with a more sophisticated approach. Although it stresses that currency management is subservient to traditional long-term investment it does take separate decisions when it feels that certain currencies are over—or under-valued. "We try to look forward to what we are going to be doing in overseas markets in the *future so that if, say, we intend* to buy U.S. real estate we have currency in hand at a good price," said a spokesman.

Tim Dickson

THE GREEK ELECTIONS

Stark alternatives for Greece

By Rupert Cornwell in Athens

THE BATTLE of Athens is drawing to a close. Throughout this last week of Greece's general election campaign, the parties have been holding mass wind-up rallies in the capital. Under the white arc-lights of Syntagma (Constitution) Square, night after night the leaders have been haranguing their faithful.

To the outsider it has been irresistibly similar to that first democracy in ancient Athens, when the entire city would turn out to listen to its leaders. Tonight is the end, the turn of Mr George Rallis, the outgoing Prime Minister and leader of New Democracy, the party which has ruled Greece since the military junta was toppled in 1974.

Then the stage will go quiet until the results are announced on Sunday night. Nominally the campaign has lasted just four weeks, but in practice has been under way for months. And for the first time in decades the

Changes in Greece's position in the EEC and western alliance

9.8m Greeks entitled to vote will be making not just a choice of personalities, but of policies as well.

The alternatives are stark: another four years of safe, uninspiring centre-right government by Mr Rallis' New Democracy, or the radical new departure proposed by the Panhellenic Socialist Movement (Pasok) of Mr Andreas Papandreou. The choice extends not only to the 300 MPs in Athens, but also to the first 24 MPs that Greece will directly elect to the European Parliament. On paper at least, victory for Mr Papandreou could produce sweeping changes, not just at home, but in Greece's international position within the EEC and the western alliance.

In the best Greek fashion, everything has been in black and white, with hardly a shade of grey. The centre ground of national politics has crumbled. Politics have polarised around the two main parties, helped by a complicated electoral system of reinforced proportionality which penalises anyone gaining less than 17 per cent of the total vote.

The flight from the centre has also been accelerated by a national press which is not so much a matter of black on white as a study in scarlet—the newspapers, with hardly an exception, have scarcely attempted rational analysis.

In theory, voters have 14 parties to choose from in the national elections, including such exotic groupings as "Olympian Democracy" or the "National Byzantine Organisation." In fact, however, only three are genuinely first division contenders: Pasok (which Greece's notoriously unreliable opinion polls put in the lead), New Democracy, founded and still overshadowed by the country's greatest post-war statesman, Mr Constantine Karamanlis, and the KKE, the Moscow-aligned Communist Party of the Exterior.

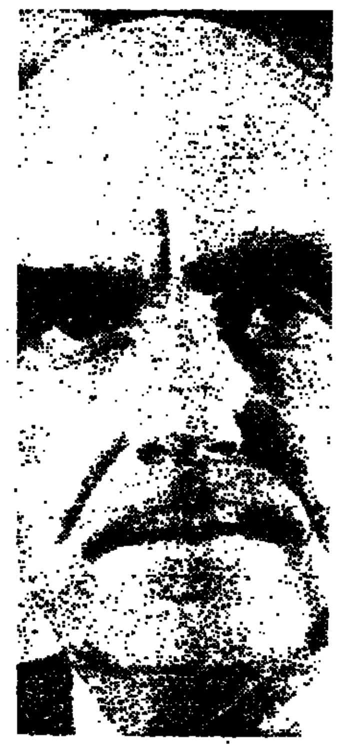
But one or two of the other 11 may, if the battle between Pasok and New Democracy is as tight as many think it will be, exert no small influence if bargaining there is to be on Monday morning. There is no doubt, though, who is on the defensive.

New Democracy swept to power in 1974 with Mr Karamanlis at its head. When he returned from Parisian exile he was regarded as a saviour following the collapse of the Junta. Three years later its share of the poll had dropped from 54 to 42 per cent, but this was enough under the electoral system to ensure a comfortable majority with 171 parliamentary seats.

Since then its fortunes have ebbed further. The economy has turned sour, and Mr Karamanlis has left for the largely symbolic office of the presidency, though with enough constitutional prerogatives to play a key role if no one wins an outright majority on Sunday.

New Democracy seems weary, short of ideas. It is running largely on its achievements—cementing the return of democracy, taking Greece into the Common Market and rejoining the military wing of Nato. Mr Rallis himself seems plodding, an administrator rather

MR GEORGE RALLIS
an administrator



MR ANDREAS PAPANDREOU
changes in emphasis

Everything has been in black and white, with hardly a shade of grey

than an innovator.

"The electorate is sick to the teeth of us," admitted one minister this week. "Politics is personal ambitions, yes, but it also revolves around fundamental beliefs, and that's what we've lost." This is hardly conventional New Democracy wisdom: the party sees itself as the fundamental guarantor of Greece in Europe and the West, and of a free enterprise system.

But that is of small concern to most Greeks beside ever more glaring social inadequacies, in welfare, education, and other public services. The country's mediaeval bureaucracy is another sign too of how social change has failed to keep pace with the astonishing economic strides of recent years.

Economic growth too has almost petered out since 1979—1.9 per cent last year, and probably only 1 per cent this. Inflation rose from about 12 per cent in 1978 to 26 per cent in 1980, and could still be 22 per cent in 1981. Distortions once masked by one of the highest growth rates in the West have come out into the open, and the benefits of EEC membership have been a poor palliative.

But all this has been grist to Pasok's mill as it seeks to convert 1977's 25 per cent and 93 seats into an outright parliamentary majority. The watchword of the opposition campaign has been *Allaghi* or change. Hardly a tenet of modern Greek life is not under challenge. Mr Papandreou is promising a "restructuring" and "socialisation" of key industries, stronger trades unions, decentralisation, immediate improvements in pensions, welfare and education, sweeping changes in the banking system and much else besides. But realistically what are his chances in the event of victory?

He himself has tempered the enthusiasm of his supporters, as well he might. His inheritance would be thorny. With a public sector deficit of 10 per cent of GDP already, what scope exists for new spending, at least without massive taxation increases?

There have been signs recently that an electorate fed up with the old is becoming uneasily aware of the implications of the new. Nor have Mr Papandreou's changes in emphasis reduced suspicions of what he really stands for. He is the most elusive of politicians, with a peculiar Greek brand of socialism. It is part Mitterrand and part Tony Benn, bound up with a desire to shift Greece's centre of international gravity towards the Balkans and the East Mediterranean.

Nowhere is the uncertainty greater than in foreign policy. The old threats of a straight pull-out from both Nato and the EEC are heard no longer. But at the very least a Pasok Government would take a much tougher nationalistic line in Brussels.

Then there are the intertwined issues of Nato, Cyprus, relations with Turkey, and the American bases in Greece. Mr Papandreou has already said that he would put off negotiations on the status of the last until next March should he win.

Most observers also see the harsh talk about Nato as essentially a bargaining counter. They doubt that a Greek withdrawal from Nato is imaginable with the East Mediterranean in its present turmoil, after the murder of Sadat.

These considerations, moreover, raise the question of Mr Papandreou's relations with the Greek army, with whom he has been busy reaching an accommodation. Pasok's manifesto speaks of defence spending as its "absolute priority," yet any withdrawal from Nato would surely produce a massive arms infusion for Turkey, the ancestral enemy, as a last bulwark of the Western alliance in the region.

But there may not be a clear cut decision. Under the Greek voting system either of the two big parties needs to finish 7 or 8 per cent ahead of the other to win an outright majority. If Pasok fails to do so, there are several possible outcomes.

If neither wins 150 seats, then the KKE could be left holding the balance of power: and to increase Mr Papandreou's discomfort (he is fundamentally anti-communist), the party has made plain it would be prepared to support him on fairly easy conditions. But the KKE, which won 9 per cent in 1977, is aiming at topping 17 per cent, which would allow it to take part in the crucial second distribution of seats.

If New Democracy wins and secures an outright majority, Mr Rallis will have gained a remarkable personal victory.

A new and less predictable period in Greek affairs

But if, as many expect, it returns as the largest single party but short of 150 seats, matters will become much more complicated. The disarray of the other centre parties means that the centre is unlikely to gain more than two or three seats, hardly of much use except in the narrowest of defeats by New Democracy. To its right there is little prospect of aid.

Every sign is that a new, less predictable period in Greek affairs is about to begin, after the untypical stability since 1974. As one wise politician observed this week, "People vote against, not for." In other words, Sunday's result will be determined by whether boredom and dissatisfaction with the status quo outweighs anxieties over Pasok. And very few are prepared to chance a guess.

Lombard

Searching for the right targets

By David Marsh

Scene: a neo-Palladian courtyard within the Treasury, just before dawn. In near-total darkness, a stealthy scraping is heard as heavy bundled objects are dragged roughly across the ground. A muffled volley of rifle shots is heard, followed by a hurried running away of feet. It is the sound of expectations being hauled from their hiding places deep within the Government and being not just dropped, dashed or ditched but stood up against a wall and summarily shot to pieces.

It is not so surprising that the Government is asking the electorate to shelve the hopes of low single-digit inflation, 25p in the pound income tax and wealth-for-all held out to them in May 1979. That was never really on in the first place—although politicians perhaps cannot be blamed for trying to persuade people that such transformations can happen.

What is more worthwhile examining is the way in which the Conservatives' mechanisms for influencing expectations about the prime policy target of inflation have come ruinously unstuck. This has some lessons for the future.

The curious feature after 2½ years of the Tories is that if the Government's methods for altering people's price expectations were really working, then workers would still be putting in bids for 20 per cent pay rises and companies would be pressing ahead with investment plans after budgeting for large-scale price increases next year.

After all, the sterling M3 money supply, which the Government has asked us all to watch as a key pre-determinant of inflation, is still romping ahead for the second year running, and is now up nearly 50 per cent since May 1979.

What has happened, of course, is that trade unions have been forced to accept real wage cuts not by any skilfully wielded monetary scalpel but through the bludgeon of large-scale unemployment and financial pressures on industry.

This underlines the fundamental fallacy of the Conservatives' plans for dealing with inflation right from the beginning. It is right for a Government to impose targets to influence people's behaviour — that is, after all what is is elected to do. But if the Government wants results rather than ridicule, the targets it selects must have some commonly-grasped relevance to the real-life objective of bringing down inflation (which sterling M3, and the public sector borrowing requirement too, for that matter, manifestly do not).

There is an analogy in the debate going on in the U.S. on the supremely anachronistic idea of restoring the gold standard. Gold is also fundamentally unsuitable for influencing adjustment.

Gold proponents like Prof Arthur Laffer favour a return to a "fixed" dollar-gold parity to bring down inflationary expectations. But he cheerfully admits that the gold price might have to be raised if market pressures warranted.

The whole point about the gold standard strategy is that, in order to have a permanent effect, the price must be maintained through thick and thin. If the price can be raised without harming the strategy — analogous to sterling M3 overshooting in Britain without influencing expectations — then gold is plainly no answer.

So which are the "right" commonsense targets? Sir Geoffrey Howe, in his television interview on Sunday, took delight in crowing over the French Socialist for cutting public expenditure plans. The new Paris Government is obviously learning from other countries. Britain might learn something from France as well.

Adopting more direct targets to impose anti-inflation discipline—in the form first of a sensibly-worked out incomes policy and second of an exchange rate commitment through membership of the EMS—might prove a more effective way of bringing down inflation without the social and economic cost of massive unemployment. At least if Sir Geoffrey is not considering alternatives, others are — and they may be in a position to try them out after the next election.

Letters to the Editor

Buyers' premium at auction: an official view

From the Director General of Fair Trading.

Sir,—Mr David Mason and Mr Hugh Leggatt have written to you recently expressing concern about the recent settlement of the action brought by certain members of the Society of London Art Dealers and the British Antique Dealers' Association against Christie's and Sotheby's, and Mr Leggatt (October 9) writes of his "bewilderment at the apparent lack of interest by the Office of Fair Trading" in the matter of the 10 per cent buyer's premium imposed by the auctioneers.

I can assure them both that my Office has, over the past five years, devoted considerable attention to the possibility of agreements between auctioneers and, until the recent announcement of the settlement, had expected that the forthcoming court case would determine the question with which I must be concerned—namely, whether the imposition of a buyer's premium by Christie's and Sotheby's resulted from an agreement between the two firms which might be registrable under the restrictive trade practices legislation which was extended to include services in 1976.

Following routine enquiries by my Office in 1976, I was informed that no agreements had been made between the auctioneers which were covered by the new legislation. After receiving further information from dealers and others in early 1979, I made formal enquiries of Sotheby's and Christie's, using my powers under the Restrictive Trade Practices Act 1976, and in both cases, firm denials of the existence of any agreements, coming within the Act, were sent by solicitors acting for the two auctioneers. Meantime I was informed of the proceedings being instituted by the Society of London Art Dealers and the British Antique Dealers' Association against Christie's and Sotheby's which would raise before the court just those questions with which I was concerned. In the light of the firm denials and to avoid unnecessary duplication of legal proceedings, I decided that the proper course was to await:

(a) any significant development during the hearing of the dealers' case;

(b) the outcome of the case;

(c) any other information which might reach me.

Accordingly, I am now reviewing the position in the light of the settlement which has been reached.

Gordon Borrie.
Field House, Bream's Buildings, EC4.

Harland and Woolff

From the Chairman, Harland and Wolff

Sir,—Your edition of October 10 contained a news item by Andrew Whitley concerning a big Brazilian ship order for the UK.

In the article the words "United Kingdom" are used and it is inferred that British Shipbuilders speaks for the whole of the UK shipbuilding industry. As this misconception occurs so regularly in the columns of the Press, may I remind your readers that Harland and Wolff are not members of the British Shipbuilders group but are nevertheless a major part of the UK shipbuilding industry. Perhaps it is not too late for the facilities of Harland and Wolff and the claims of Northern Ireland to receive consideration in respect of the Brazilian order.

Vivian Wadsworth.
Queen's Island, Belfast.

A way of reducing bank charges

From the Director General, The Marketing Society

Sir,—Your readers, especially those who are self-employed in small businesses, may be interested to know of a method of calculating bank charges which is used by at least one of the Big Four and which can in certain circumstances work to the customer's disadvantage.

As is generally known, the bank's computer calculates the charges for traffic through the account. However, this is often measured by volume of money, not number of entries, and the assumption is made that the numerical relationship between the two factors will remain reasonably constant.

If, as happened in our case, there is in one particular period an exceptionally large transfer the computer takes no account of this but assumes a correspondingly large increase in traffic. Charges are increased accordingly — in our case by almost 700 per cent.

At a time when small traders may be receiving, for instance, large VAT refunds and transferring them, possibly to deposit, this kind of error may be occurring widely.

In our case the bank readily reduced the charge when this was drawn to their attention but if the error had been smaller, only 200 per cent for instance, it is more than possible that it might have slipped through as part of the general inflationary process.

It is therefore advisable to small businesses to negotiate with their bank managers other methods of assessing charges but in the absence of any agreement the turnover method is normally used. In the case of private accounts and number of entries, not turnover, is the basis of measurement and the problem we experienced cannot arise.

Malcolm Thomas.
Derwent House,
35 South Park Road, SW19

Croydon by-election

From Mr Alex Fleming

Sir,—Those who do not intend to vote in the forthcoming election should remember two things.

1. Democracy is a minority view. Of the 156 countries in the UN, it is reckoned that only 40 are democracies; and,

2. Democracy is a tender plant which requires constant attention.

For example, in 1979 — in what a Chancellor of the Exchequer described as a "dirty trick" — the UK Parliament cancelled a win because it did not receive the support of 40 per cent of the electorate. President Reagan received the votes of only 27 per cent of those eligible to vote in the US. And Churchill said that a win even by one vote was enough in a democracy.

All that is required for the occurrence of a similar affront to democracy is for electors to refuse to take an interest in politics.

Alex Fleming.
"Glenifer,"
24, Main Street, Perth.

Fair pension for war service

From Mr William Ash.

Sir,—As a Texan who enlisted in the RCAF at the beginning of 1940 and decided to live in England as a British citizen after the war, I have just been pleasantly surprised to be told by the Canadian Government that simply by virtue of being an officer in their air force while a prisoner-of-war in Germany I am entitled to a pension backdated to the passing of the Compensation for Former Prisoners of War Act in 1976.

My delight at this unexpected benefit has been qualified by my knowledge that fellow prisoners who were in the RAF have not only received no compensation for the hard time they spent in the hands of the detaining power; they have not even had returned to them the money deducted from their pay by the war-time British Government to cover purchases from prison camp canteens. Does the present Government really believe that the Nazis organised a kind of Marks and Spencer's service for "kriegies" which it is only right that they should pay for?

I hope this act of miserly ingratitude on the part of the Government can be rectified so that I can enjoy my Canadian windfall without feeling a bit guilty.

William Ash.
Flat 9, 43 Moscow Road W2.

SDP concience

From Mr P. J. Pace O'Shea

Sir,—With respect to the Lombard column by Peter Riddell (October 13) and to its heading "SDP in search of an identity" may I as an active SDP member ask him and other commentators to be patient and bear with us for a while. We are slowly getting organised and in due time the views of the majority will be made known both on the organisation of the party and its policies. We in the SDP are proceeding into unchartered territory and the outcome will be unique because for the first time the voice of the party will be the voice of the majority of its members.

On the subject of incomes in economic policy there is an approach which I have not seen discussed in the media. The demanding need for control of incomes and prices is in those areas where the company or the employees have monopoly power, such as the water workers, the electricity workers and the rest. In these areas free collective bargaining is nonsense. However, there is certainly no need for control where the consumer has a choice of goods or services. A blanket control over all employees' incomes is not workable or necessary or just. A prices and incomes control limited to the monopolies is possible and essential and if it is operated with due consideration to all relevant factors independently of the Government it will surely be acceptable to the great majority of the people.

P. J. Pace O'Shea.
13, Westchester Drive, NW4.

Industrial & Gen. Trust slight dip

AVAILABLE PROFITS of the Industrial and General Trust, investment trust, declined slightly in the half year to September 30 1981 from £3.7m to £3.62m, on gross revenues somewhat higher at £6.72m against £6.54m.

The interim dividend is held at 1.1p net per 25p share, last year's total distribution having been 3p on net revenues of £6.87m. The net asset value is given as 96.9p (107.6p) after deducting prior charges at par and assuming full conversion of convertible loan stock.

Revenues comprised franked investment income of £4.65m (£4.93m) and unfranked income of £2.06m (£1.61m). Expenses grew, with those for administration at £262,718 (£204,667) and for debenture and loan interest at £1.02m (£873,839).

Imputed tax on franked income took £1.4m (£1.48m) and corporation tax £418,113 (£276,900), making a total debit of £1.81m (£1.76m).

After a similar £2.37m accorded to the interim dividend, retained profits were £1.24m against £1.33m.

Group footings at September 30 were £356.72m compared with £383.57m at March 31.

Scottish Mortgage pays same

ATTRIBUTABLE profits of Scottish Mortgage and Trust, an investment trust, slipped to £2.02m in the half-year to September 30 1981, compared with £2.22m, on gross investment income down from £4.2m to £3.91m.

The interim dividend is being repeated at 2.5p net per 25p share, and the directors intend a same-again final of 2.8p, "even though this may call for some drawing on revenue reserves."

Stated earnings per share are 2.8p (3.05p) and net asset value is 204.3p (205.7p at March 31 1981).

The board says the probable effect of recent moves into low-yielding overseas investments with good long-term prospects will be to leave earnings for the year somewhat less than last year's 5.44p per share.

Profits after tax were £1.16m (£1.28m).

Slight decline at Securities Tst. Scotland

Taxable profits of Securities Trust of Scotland, an investment trust, declined slightly in the half year to September 30 1981 at £1.61m compared with £1.71m, on gross income all but maintained at £2.03m against £2.04m.

The interim dividend is repeated at 1.9p net per 25p share, and the board expects to recommend a total at least equalling last year's 4.3p.

Stated earnings per share are 2.5p (2.7p) and net asset value 132.9p (143.5p).

Tax took £562,000 (£557,000).

Mowlem grows to £3.21m at six months

PROFITS before tax of John Mowlem and Company increased from £2.51m to £3.21m, for the first six months of 1981, but Mr Philip Beck, chairman, says the level of margins achieved on turnover reflects the continued competitiveness of construction work, both in the UK and overseas.

Turnover, including associates share, expanded by £23m to £133m, and the order book of this international construction and mechanical engineering concern is being maintained in real terms.

Mr Beck confirms his view that the full year's outcome should be satisfactory.

For 1980 the group achieved taxable profits of £8.27m on turnover of £240m.

After first-half tax of £961,000 (£877,000) earnings per share are shown as 13p against 9.83p, and the interim dividend is lifted from 1.9p to 2p net—last year's final was 6.85p.

Pre-tax figure included associates share of £213,000 compared with £51,000 and after tax and an extraordinary debit of £53,000 (£1.09m credit) the available balance came through behind at £2.19m, against a previous £2.72m.

The interim dividend will absorb £396,000 (£301,000) leaving £1.8m (£2.42m).

The group has agreed to acquire the business of CPN Incorporated, of California, U.S., for £1.5m, of which £0.85m is deferred with payments conditional on future profits. The deal is in line with directors' intentions expressed in May, at the time of the rights issue. CPN manufactures and sells instruments for testing moisture and density, for quality control and other applications, in construction and agriculture.

"This equipment makes use of nuclear isotopes and microprocessors and will enhance the product ranges of both our UK and U.S. companies in the field of testing equipment," the chairman says.

● comment

Mowlem's interim figures are much better than expected and the statement points to a satisfactory second half, and yet the shares fell 4p yesterday to 158p. This would seem to be another instance of a share that is suffering for no other reason than that it has been outperforming its sector. The 22 per cent improvement in profit of subsidiaries is fairly broadly based in the UK building and civil engineering companies offset by weakness in McTay's process plant contracting. The fourfold rise in the contribution from associates comes largely from Barclay Mowlem in Australia while the lower associate turnover figure indicates the group's cautious stance in the Middle East. Mowlem has been characteristically slow in pursuing its stated goal at the time of the £6.3m rights issue in May of making acquisitions and so the net cash position is probably close to £10m. A full-year outturn of £11m seems likely, indicating a fairly modest prospective fully taxed p/e of about 8½. If the final is raised in line with the interim dividend, the prospective yield would be a helpful 8.4 per cent.

Advance by Michelin on exchange gains

GAINS ON exchange transactions were the main reason for a sharp advance in first-half taxable profits of Michelin Tyre Company to £12.05m against £8.82m.

Demand both in the UK and overseas continued to be depressed, although sales picked up slightly to £267.04m (£247.93m). Prospects for the second half are described as not encouraging and the board expects earnings to be considerably lower than this time.

The exchange profits were realised on 1980 currency balances settled this year, with the growing strength of the dollar against sterling. Revenue from export sales was materially increased.

Michelin Tyre is a wholly owned subsidiary of the Swiss Compagnie Financière Michelin, its ultimate holding company being Compagnie Générale des Etablissements Michelin of France.

The taxable surplus was reached after charges for depreciation at £13.03m (£10.73m) and interest at £3.72m (£2.11m), and credits of £605,000 (£406,000) representing the share of its Nigerian associated company's profits.

Tax took £1.25m (£1.37m);

R. P. MARTIN DEALINGS RESUME

Shares of money broking group R. P. Martin jumped by more than £1 to 283p when dealings resumed on the Stock Exchange yesterday after more than eight months absence.

The shares were suspended last January 26 at 182p when the company entered into merger negotiations with the West German money broking partnership, Bierbaum and Co. That merger was completed on Wednesday.

Analysts had been estimating that the thinly-traded shares might rise as high as 250p, but they opened at 283p and then fell to 270p before closing at 275p. Volume was said to be light with price movements quite volatile.

Mark Meredith examines the fall of Blackwood Morton

Rolling up the carpet

THE telephone at BMK Carpets factory in Kilmarnock has been ringing all day. At the end of the phone was Mr Frank Mycroft of Deloitte Haskins, one of the receivers called in yesterday morning.

"A load of polypropylene arrived at the door and what do you do with it?" he said, adjusting to the daily confusion of business.

Two years of trading losses had become intolerable for Blackwood Morton and Sons (Holdings). Mr Gavin Morton, the chairman whose grandfather helped establish the company in 1908, broke the news to a board meeting on Wednesday.

He told them the company's loss of £1.5m in 1980 looks like deteriorating further this year. Borrowings of £3.6m in June of last year had also risen substantially.

As at June 30 1980, shareholders' funds amounted to £7.93m, against £9.42m. In March of this year, the group reported pre-tax losses of £1.34m for the six months ended December 31 1980, compared with £0.48m previously. Turnover was down from £10.92m to £8.87m.

Final blow

"The recent 4 per cent increase in interest rates was the final blow," Mr Morton said, recalling the gloomy board meeting in the dark wood panelled office of Mr Alec Leggatt, the managing director.

BMK, known for its vigorous advertising campaign, featuring a springing lamb, was getting into trouble producing the wrong kind of carpet at the wrong end of the market at the wrong time, when demand was declining dramatically.

Nearly 70 per cent of the company's capacity was in the production of Axminster carpets — the type of woven carpet allowing the use of many colours and patterns.

What sales were taking place were at the other end of the market in tufted carpets. These are carpets with the pile planted into a synthetic base. They are much cheaper to produce and over the past two years U.S. and Belgian manufacturers have stormed the market.

Tufted carpets only represent about 15 per cent of BMK's production. The U.S. manufacturers took advantage of high sterling value last year to dramatically increase their exports to Britain. Planeloads of retailers visited the United States to buy up tufted carpets increasing exports from 5m square metres in 1979 to 10.5m square metres in 1980.

More recently Belgian manufacturers have stumped the British carpet manufacturers by being able to produce 90 per cent of their output for export.

Main producers

They have become the main producers on the Continent, and exports to Britain of, especially tufted carpets made strong gains from 4.3m square metres, worth £13m in 1979, to 8m square metres worth £23m in 1980.

In the first two months of 1981 Belgian imports' performance doubled, compared with the same period in 1980. The value of home and export produced carpets is £544m, of which £455m is sales to the domestic market.

Exports have dropped from 29.8m sq metres to 20.8m sq metres in 1980 when they were worth £91m.

For BMK, exports accounted for 15 per cent of turnover. The company had a promising trade in contract carpeting where it would design carpets for large buildings such as hotels and offices.

But demand fell as fewer offices and hotels were built, while in the domestic market fewer people were buying new houses or shifting jobs and moving house to order new carpets.

10% dividend boost as Lee Cooper moves ahead

FOREIGN CURRENCY conversions continued to have a material adverse effect on Lee Cooper's results during the half year to June 30 1981, but this manufacturer of jeans and casual wear improved its pre-tax profits by £256,000 to £4.61m. Turnover however, fell from £44.32m to £40.41m.

Mr H. C. Cooper, the chairman, says that apart from further currency distortions, over which the directors have no control, it is anticipated that the second half year's trading will follow a similar pattern to the results now reported.

Tax was down from £2.47m to £1.99m, and after minorities up from £14,000 to £247,000, attributable profits emerged at £2.36m against £1.84m. Stated earnings per 25p share advanced from 11.9p to 15.27p and the interim dividend is raised 10 per cent from 1.05p net to 1.16p—last year's total was 2.7375p from pre-tax profits of £6.55m.

● comment

Lee Cooper swallowed its medicine at the end of 1980 and has since mended nicely. Last year's ruthless cutting of stocks has eliminated the UK losses. Improved demand this year means the UK side should be again kicking in 10 per cent of profits by early 1982. The troubled Danish factory has been shut and the costs taken above the line in these figures. The company expects to reach £9m pre-tax for the full year, without counting on any help from currency movements (80 per cent of sales are overseas). Provided the franc does not lose all the ground it has gained against sterling in recent months, the figure could well go higher. Still, interest rates have to be weighed in; Lee Cooper's gearing is now close to 60 per cent. The shares jumped 7p yesterday to 137p where they trade on a fairly modest fully-taxed multiple of about 5. The 10 per cent rise in the interim and a similar gain in the final will give the shares a prospective yield of just over 3 per cent.

HIGHLIGHTS

Lex looks at the half-time figures from Honda Motors where the profit level has been halved, though exchange rate fluctuations aside, the underlying decline is probably no more than 10 per cent. Berec issued its defence document yesterday. It is beginnig to look as if Hanson will win the day though at the price it is offering it will be getting a bargain. The management of Warren has finally capitulated to McLeod Russel's bid now that the share offer has been underwritten with a cash alternative. Finally Lex looked at the investment trust scene in the light of the statement from North Atlantic Securities, which wants to change its investment strategy and offer shareholders the chance each year to liquidate the company. The other major news of the day was the appointment of receivers at carpet group Blackwood Morton.

Steel Bros. profits improve to £2.8m

HELPED by weak sterling, taxable profits of Steel Brothers Holdings improved from £2.6m to £2.84m for the first half of 1981 on turnover of £49.37m, against £47.51m.

Mr A. P. de Boer, chairman, says the present indications are that, subject to adverse changes in currency values, this construction, foodstuffs and manufacturing group should produce a better result than in 1980. For that year turnover amounted to £100.7m and pre-tax profits were £5.59m.

First-half earnings are shown as 14.71p (12.82p) per 25p share and the interim dividend is maintained at 3.15p net—last year's final was 4.85p.

Mr de Boer says that contrary to the trend of recent years, the deterioration in sterling during the six months boosted the value of overseas earnings.

Profits from Spinneys operations have improved, and the Canadian results were satisfactory. Inevitably, the engineering activities in the UK were affected by the continuing recession in that industry, he states.

Above the line, depreciation took £1.59m, compared with £1.15m, and interest charges were £1.91m (£1.2m). Tax amounted to £1.04m (£1.08m) and after extraordinary debits of £208,000 (nil) and minorities of £147,000 (£103,000), the balance was £1.45m, against £1.42m.

The extraordinary item is a provision for the disposal of unprofitable activities by the group's rice associate.

● comment

Shareholders in Steel Brothers have had an exceptionally comfortable ride lately. From a low of 127p at the beginning of February, when the FT 30-Share index was within a point or two of yesterday's closing level of 473.2, the shares have risen some 77 per cent. Up 5p yesterday, they reached a new high for the year of 225p. This resilience in the face of adverse market conditions could to some extent be justified on trading grounds; notably, about 90 per cent of Steel's earnings arise overseas, and the year's currency movements seem bound to have a significant favourable impact on profits. Moreover, a number of its operations are performing better—particularly Spinneys, where there are more improvements still to come. However, the current share price probably owes more to persistent buying of stock by Tamween Holdings, which has built up a 14 per cent stake in a market already narrowed by the 38 per cent block long held by Bricomin. Any further advance would presumably depend on a move from Tamween. Meanwhile, the shares yield 5 per cent and sell on about 10 times prospective fully taxed earnings.

Fitzwilton result depressed

REDUCED pre-tax profits were shown by Fitzwilton, investment company, falling from I£1.8m to I£1.22m, for the year to June 30 1981.

The final dividend is a repeated 3.5p, making the year total the same again at 5.5p. The pre-tax profit includes an increased contribution from associated companies of £531,000 (£794,000), but interest charges also rose to £80,000 (£77,000).

The tax charge was lower at £204,000 (£400,000). The debit for minorities rose from £92,000 to £114,000 and extraordinary items took £1.42m.

Accumulated losses at beginning of the year were lower at £304,000 (£1.65m). The transfer from revenue reserves rose from £1.85m to £3.32m. Revenue reserves stood at £1.37m against a deficit last time of £204,000.

The directors say that they have been informed that the auditors will draw attention in their report to the treatment of the result attributable to the group's interest in Goulding Chemicals.

Their statement says: "It was announced in November 1980 that the Board no longer regarded the investment in total. This write-off, £1,415,475, is included among the extraordinary items.

"However, the auditors have taken the view that, technically, the write-off should have been divided into two amounts, viz, £778,500 and £636,975. The former amount (representing the group's share of the Goulding loss for the period from July 1 1980 to November 7 1980) should be dealt with under the heading 'share of profits of associated companies' and the latter should be an extraordinary item."

The directors concluded that it would be seriously misleading to shareholders to reduce the group's share of profits of associated companies for the year by the group's share of the Goulding loss for the four months to November 1980. This is particularly so when it is borne in mind that the group's share of Goulding's loss for the full 12 months to June 1981, amounted to a lower figure.

No matter which of the two treatments is used the end result remains the same with group revenue reserves at June 30 1981 amounting to £1.37m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aberthaw Cement ...int.	4	Jan. 4	3.5	—	10
Banker's Invest 1st. int.	0.65	Nov. 30§	0.6	—	3.78
Dominion & Gnl. ...int.	3	Dec. 1	3	—	10.7
Erith & Co. ...int.	1.25	Dec. 1	1.25	—	4
Fitzwilton	3.5	Jan. 15	3.5	5.5	5.5
Gen. Scottish Tst. ...int.	1	Jan. 8	1	—	2.9
Greenbank Industl. int.	0.6	Nov. 19	0.45	—	1.35
Guildhall Property	4.4	Dec. 11	2.9	5.15	4.65
Industrial & Gnl. ...int.	1.1	Dec. 2	1.1	—	3
Lee Cooper ...int.	1.16	Nov. 30	1.05	—	2.74
Marler Ests.	Nil	Nov. 27	1	2	2
J. Mowlem ...int.	2	Jan. 4	1.9	—	8.75
1928 Invst. Trust ...int.	3	Dec. 18	2.5	—	8
C. H. Pearce	9	Jan. 14	8.5	13	11
F. S. Ratcliffe	Nil	—	4.25	Nil	5.25
F. W. Thorpe	1.45	Dec. 10	1.45	2.45	2.45
Sandhurst Marketing int.	0.68	Nov. 7	0.64	—	1.93
Scottish Heritable ...int.	1	Dec. 11	1	—	2.5
Scottish Mort. & Tst. int.	2.5	Dec. 1	2.5	—‡	5.3
Steel Bros. ...int.	3.15	Dec. 17	3.15	—	8
J. O. Walker ...int.	Nil	—	2	—	3

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Total expected to be maintained, restoring 45-55 ratio between payouts. § Maintained total intended. ¶ This corrects payment date shown yesterday. || Total expected at least to be maintained.

Scottish Heritable lower

A FALL from £370,100 to £251,900 in pre-tax profits is reported by the Scottish Heritable Trust for the six months to June 30 1981. Turnover of this holding company with interests in property and distribution of carpets, floorcovering and hairdressing supplies, was down from £10.22m to £9.87m.

Trading profits from the property division increased substantially from £186,200 to £342,800, but this was offset with falls in the carpets and floor covering divisions, from £475,300 to £176,700, and in the hairdressing supplies division, lower at £39,700 compared with £105,000. Overall trading profits for the group were £559,200 (£766,500).

The pre-tax figure was struck after associates of £6,700 (£10,100), unallocated expenses of £79,600 (£91,000) and interest charges of £221,000 (£295,300).

There was a tax charge of £77,400 (£165,300). Minorities accounted for £5,000 (nil), leaving £174,000 (£204,800). There was an extraordinary debit this time of £82,300 and after preference dividends of £7,400 (same), attributable profits emerged at £84,300 (£197,400).

Stated earnings per 25p share are 2.08p (2.47p) on a net basis, and 3.05p (2.47p) on a nil distribution basis. The interim dividend is unchanged at 1p—last year's total was 2.5p from pre-tax profits of £444,100.

C. H. Pearce climbs 24% at year-end

AN INCREASE of 24 per cent from £2.05m to £2.54m in pre-tax profits is reported by C. H. Pearce and Sons, the Bristol builder and contractor, for the year to May 31, 1981. Turnover climbed from £22.41m to £26.75m.

The directors say an expansion in residential and commercial developments contributed to the 19 per cent increase in turnover with all sections within the group continuing to trade profitably. Greater efficiency has led to the much-improved profit.

The final dividend is raised from 8.5p to 9p for a total up from 11p to 13p.

Since May 31, the group's activity and profitability have continued to be satisfactory, say the directors, but the general recession in the country makes forecasting most difficult. They will be disappointed however, if the results for the current year are less than those for the year just ended.

There was a tax credit of £813,000 (£559,000 charge), leaving net profits substantially higher at £3.36m (£1.49m). Stated earnings per 25p share advanced from 118.7p to 266.8p.

ASTRA RIGHTS

Acceptances have been received in respect of 77.21 per cent of the 21.6m 10p shares offered in a one-for-one rights issue by Astra Industrial Group at par. The balance has been placed.

J.O. Walker into red and misses interim

A plunge into first-half taxable losses of £165,000 by J. O. Walker and Co, compared with £101,000 profits, has led to the timber importer omitting its interim dividend.

Turnover for the half year to June 30 1981 slipped from £4.34m to £3.63m. Losses per 25p share are given as 5.2p (5.2 earnings).

Last year, with an interim of 2p net, a total of 3p was paid from a pre-tax surplus curtailed to £19,998 after a second-half downturn.

Tax credits this time of £123,000 (£59,000 debits) left losses at £42,000 (£42,000 profits).

Ratcliffe Inds. £166,490 in red pre-tax

A second-half loss of £76,624 at F. S. Ratcliffe Industries, against a £109,755 profit, has left this precision spring manufacturer and painting contractor £166,490 in the red for the year ended April 30 1981, compared with a £193,224 surplus previously.

And with the omission of a final dividend, there is no distribution for the period, against 5.25p net.

There was a tax credit, however, of £168,543 (£105,595 charge) which left the net figure just in the black at £2,053 (£87,629) giving earnings of 0.26p (11.02p) per 25p share.

From the address by the Chairman, Sir Stephen Roberts, at the Annual General Meeting of the Milk Marketing Board, 15th October 1981

Together in enterprise.

In the last two or three years, the MMB has undergone more change, perhaps, than at any other time in its history. In 1978, with the ending of the EEC transition period, we had to adapt to the fully market-based price system. Then, in 1979, came our purchase of sixteen Unigate creameries and the overnight doubling of our involvement in commercial dairy manufacture.

In the two years since then, the whole organisation has had to adapt and change, to absorb more people, to integrate large and complex production capabilities and to set up a new and highly professional brand marketing and sales team. Now, we are starting to tackle the complex problems of distribution.

Pulling together

The fact that so much has already been achieved, that Dairy Crest is emerging as a commercial entity in its own right, and that our 1980/81 accounts show this enlarged producer involvement in commercial enterprises to be bearing financial fruit after less than two years, is in great measure due to the enthusiasm and commitment of the Board's staff.

There will be many more changes to be made, under pressure from the markets, from new technology, from our competitors. But I and the Board face the future with great confidence, because we have in our staff a fine team of people, committed to the organisation and dedicated to the task ahead. Our chief investment is in people.

Together in Enterprise is the Board's motto, and that phrase aptly describes the teamwork that is needed between 40,000 producers, the people who work for them, and their Board's staff. In an agricultural co-operative organisation the size of ours, total commitment and communication between all sectors is crucial to maintain the corporate strength of the organisation.

Life has not been easy for dairy farmers in the last year or two, as has been shown by our own studies and publications. Agriculture, like other industries, has suffered the severe effects of high interest rates and the ravages of inflation. However, I believe that, by concentrating on good management throughout the industry, we will win through. This must be a committed co-operative effort right through from producer to retailer.

Improved productivity

The performance of our national herd has continued to improve. A glance at the annual report and accounts illustrates that last year you achieved a further 2% increase in yield per cow. Whilst there are small fluctuations in milk quality from year to year, the broad trend has been upwards.

In the years since World War Two, agriculture has provided a shining example to the rest of British industry as far as productivity is concerned. Indeed, the Prime Minister paid tribute to this record in her speech at the Royal Show this year. "If only the whole of industry performed as well as agriculture," she said, "the economy of this country would have been transformed."

Dairying's contribution to that record is a proud one. Over the last 20 years, total annual milk output, from a national herd that has barely changed in size, has increased by almost 60%. Labour productivity too, has increased by no less than 220%.

There is no doubt these improvements have come from a joint effort. Management on the farm has improved, more efficient techniques are being used and the Board has contributed to this through Artificial Insemination and continued development of its Farm Management and Veterinary Services.

Earlier this year, we carried out the 50 millionth insemination since the service began in 1944. Last month, a new service, designed to help farmers get more information from milk recording, was introduced.

Investment in dairying

The need to work together is not confined to farmers and the Board, however. It embraces all who work with milk in this vast industry of ours. You as producers have invested £3,000 million in 2¾ million cows and their followers. A conservative guess at the sums invested on farms in tenant equipment would increase this already enormous figure to around £5,000 million. From the labour point of view, there are about 130,000 people working on dairy farms.

Our partners in the industry, the dairy trade – in which I include our own commercial activities – have also committed large sums. Their huge investment in this industry includes about 40,000 milk rounds, the vehicles which haul milk and finished milk products, the value of their dairies and creameries and the employment of around 93,500 people.

I like to think of our industry as a triangle. There is an interdependence between the producer and the dairy trade; the triangle is completed by a team of around 900 people in the Milk Marketing Board who provide the overall co-ordination, organisation and administration at a total cost of about 0.5% of the wholesale value of milk.

If we are to produce a greater proportion of this nation's food – and we mean to – then we must recognise the vital role played by the distributive trade in getting our product to the consumer. We are convinced that a switch away from doorstep delivery will lead to gradual and serious reduction in the liquid market. As an industry, we must maximise doorstep sales, improve the efficiency of this operation and so minimise the unit cost associated with that delivery.

Economies of scale

If the industry as a whole is large, then Dairy Crest as a commercial entity is now a very substantial part of that whole. Increasing the size of our commercial activities has enabled us to achieve economies of scale. Most of our cheddar manufacture is now concentrated in modern, highly automated factories, so releasing other premises to concentrate on the development of specialised products. At Cannington, for example, a new soft blue cheese – Lymeswold – has been developed and was launched last week in the south of England.

The haulage we absorbed from Unigate has enabled us to re-appraise our transport operation and last year we moved milk more efficiently as a result. Greater efficiency in *our own transport business* benefits not only that business but the producer as well, since haulage is by far the largest element in milk marketing costs.

Annual accounts

I want to turn to the annual report and accounts which you received in July, and draw out a number of key points. A total of £1,699 million was derived from wholesale sales. The turnover from the Board's commercial activities was £748 million.

Since January 1978, our returns have been entirely derived from the market and so reflect the state of the market. Last year, sales of liquid milk fell by around 2%. This, and the increase in milk production, led to 3% more milk being available for manufacture.

The Board received £933 million from the sale of liquid milk, an increase of £87 million, and £766 million on sales of milk to manufacture, an increase of £88 million.

Our Dairy Crest operation has, of course, grown enormously. In 1980/81, the first full year since the Unigate acquisition, our trading profit was just over £20 million – an increase of 57% over the previous year. Because of EEC requirements, interest charges have to be shown against this, but we do well to remember that of the total interest charges, about two thirds (£13.2 million) was, in effect, payable to producers themselves as a credit in the Milk Fund. Some £12 million was put to reserve to pay off the balance of the cost of the Unigate acquisition. Even after deduction of these interest charges, a net profit for the year of just under £0.5 million was achieved by Dairy Crest.

Taking all these sources of funds together, there was a 12% increase in the amount available for producers before deducting the E.E.C. co-responsibility levy. The average co-responsibility levy payment increased from 0.064 pence per litre in 1980 to 0.240 pence per litre in 1981 and it was largely this which caused the extra 12% available to be reduced to an increase of only 10% in the wholesale producer price for the year.

Your Board, *incidentally, remains* opposed to the co-responsibility levy being used as a tax to help the FEOGA budget, although we accept the need for a small levy to assist marketing developments and market research.

Looking to the future

The accounts illustrate that as a *Milk* Marketing Board we have succeeded in improving the market returns for manufacturing milk while, at the same time, our own commercial enterprises have been able to operate profitably. This shows that the two objectives are not incompatible.

We can best visualise future prospects by a brief look back in time. Historically, we obtained our dairy products cheaply from world markets; home production was used to satisfy the demand for liquid milk and cream.

This pattern still exists today. We are self-sufficient for fresh, liquid milk; but the kinds of dairy product we prefer – long-keeping products such as cheddar cheese and salted butter – can be produced anywhere in the world and readily transported to this market.

As a consequence, there will be strong price competition especially in times of surplus milk production, our market returns will fluctuate and we must seek to guard against this where possible. There is no future in simply competing, on price grounds, for an increased share of a declining market. We must be prepared to sell *added value* products and search for the market premiums which exist both at home and abroad.

Consumers demand good service, reliability and quality products at the right price. This involves considerable attention to detail in the production of our raw material – milk – and care on the farm must be matched by equal care on the part of those who haul, handle and process the product. The whole industry must adopt a sensible policy on prices.

We are concerned about the potential dangers from importing UHT milk, both from an animal health point of view and *because of the* implications for the market. Anything which erodes doorstep sales will have major long term effects for Europe as a whole. A fall in liquid milk sales will mean greater volumes of milk being manufactured.

Currently, the European market is not overstocked with dairy products. Indeed, the famous "butter mountain" has disappeared. Total EEC butter stocks in September were estimated at 288,000 tonnes – about nine weeks' supply, which is well below the recognised minimum at this time of year.

The output of any agricultural product can never be precisely controlled to match demand. If we are not to have shortages, then there must be a degree of planned over-production, with surpluses being traded to the rest of the world.

I have referred before to the Brandt report, and I still believe that governments should get together and find ways of distributing food to the under-developed countries. If governments cannot find the mechanisms, then perhaps the industry itself will need to consider ways of developing an international clearing house for dairy products.

Service to consumers

In the short term, the significance of the stock reduction in the EEC is that market prices generally can be expected to rise. Provided that the world market is not unduly affected by the off-loading of large American surpluses, we should expect the recent firming of prices for dairy products, and with that the improvement in the milk price, to continue.

I have stressed the interdependence of the various parts of the industry, and the need for all to work together, in enterprise.

If we, as an industry, take sensible pricing decisions, continue the development of new added value products and the exploitation of new markets, continue to improve quality standards and the service we provide to consumers, then we can look forward with reasonable optimism to the future.

Finally I should like to pay a tribute to Board and Regional Committee Members for their tremendous support and advice.

MMB

For a copy of the Full Address and Annual Report complete this coupon and send it to:
Public Relations Division,
Milk Marketing Board,
Thames Ditton, Surrey KT7 0EL
Telephone: 01-398 4101

Name ____________

Address ____________

Mr Fraser cool towards De Beers Ashton hopes

BY KENNETH MARSTON, MINING EDITOR

CONTROVERSY, political and otherwise, continues to grow around the intriguing Ashton diamond joint venture in the Argyle region of the north-west of Western Australia even though the CRA-led project is not expected to begin its major production until 1985.

A leading question concerns the marketing of the output—which could reach some 22.5m carats a year of mostly industrial and low quality gem diamonds. The South African De Beers' Central Selling Organisation, which markets over 80 per cent of world output of rough (uncut) diamonds is keen to operate for Ashton, but political objections to this have been raised in Australia.

The Australian Prime Minister, Mr Malcolm Fraser, has now told Parliament: "I can see no advantages to Australia or to Australian industry in having arrangements in which Australian diamond discoveries only serve to strengthen a South African monopoly in these areas."

Such an arrangement, he added, would be contrary to the interests of Australia and to the interests of Australian corporations. Mr Fraser said that any examination the Government would make of the marketing of Argyle diamonds would be against this background, although he was not specific about what action might be pursued.

He was responding to a question from the opposition minerals and energy spokesman, Mr Paul Keating, who pointed out that the Ashton mine could produce the equivalent of half the present total world production of diamonds—that is, in terms of quantity but by no means in terms of value.

The value of Ashton's output is likely to be something well under 10 per cent of the present world total. De Beers declined to make any comment yesterday, but the group maintains that great expertise will be needed to market the Ashton stones and in its present depressed state the world diamond market would be unable to absorb anything like an extra 22m carats.

Ashton, on the other hand, would probably need to be a high volume producer in order to be economically viable. Meanwhile, arguments continue about the likely value of the diamonds.

The Rio Tinto-Zinc group's CRA with a 56.8 per cent stake in the venture, says in the latest quarterly report that 18,000 carats from the AK-1 pipe samples were valued at a modest average U.S.$10.50 per carat compared with a previous figure of U.S.$12.

But Northern Mining, with a minority interest of 5 per cent, which has previously disagreed with such valuations, has commissioned its own diamond valuers. They have come up with a weighted average value of A$15.17 (U.S.$13.19) compared with a valuation of A$21.78 in January.

Another aspect of controversy concerns the claim of the previously little-known Afro-West Mining and Exploration to part of the Ashton diamond area. The claim is being taken by Afro-West to the Supreme Court of Western Australia and, says CRA, "will be vigorously contested by the joint venture."

Sir Charles Court, Prime Minister of Western Australia, is reported to have said in a radio interview that while he was not in any way pre-empting the Court's decision on the case, he was satisfied that CRA had legal title to the sites from his government.

Having dealt with that matter, Sir Charles went on to say that the Western Australian State Government will insist that the Ashton venture should process some of its diamonds locally. But he added that there was no realistic way in which all the stones could be processed in Australia.

He was perhaps aware of the fact that only the relatively low-paid cutters in Bombay specialise in the "near-gem" type of diamonds that are likely to be produced in abundance by Ashton.

While all this brou-haha has been going on, the joint venture has been steadily testing and examining its diamondiferous finds. First samples have been taken from a new area, Limestone Creek, and a total of 2,200 carats therefrom has been valued at an average of U.S.$12 per carat.

Cumulative totals have now been given for all work carried out so far at the Argyle prospect. At the kimberlite pipe AK-1 a total of 82,178 carats has been recovered from 26,805 tonnes of material treated.

At the alluvial deposits, Upper Smoke Creek has yielded 79,393 carats from 21,331 tonnes; Lower Smoke Creek 8,116 carats from 22,071 tonnes; and Limestone Creek 2,547 carats from 1,619 tonnes.

In all, Ashton bodes to become a very large, and profitable, mine given an improved market for diamonds and not too much interference from the politicians.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Arcolectric, British Syphon Industries, Executex Clothes, Forward Technology Industries, United Engineering Industries.

Finals: Amber Day, Lowland Investment.

FUTURE DATES

Interims—

Bishopsgate Trust	Oct 26
Border Breweries (Wrexham)	Oct 28
Clarke (Clement)	Nov 3
Clive Discount	Oct 23
Dundonian	Nov 23
Whittington Engineering	Nov 12

Finals—

Cedar Investment Trust	Nov 10
Highland Electronics	Oct 23
Sago Holdings	Oct 20
Transvaal Consolidated Land and Exploration	Oct 22

Peko's copper close-downs

AUSTRALIA'S Peko-Wallsend has decided to close its Tennant Creek copper smelter in the Northern Territory because it is uneconomic at the present low copper prices. Next month the smelter will be put on an indefinite care and maintenance basis until copper prices improve sufficiently to justify a resumption of smelting.

Peko-Wallsend's chief executive, Mr W. J. Holcroft, added that it was also decided to put the nearby Gecko copper-gold mine on care and maintenance. But the company's Warrego mine will remain in operation because it is predominantly a producer of gold; its by-product copper concentrates will be treated at the company's other smelter at Mount Morgan.

The Tennant Creek smelter was recommissioned by Peko in October last year after a long period in mothballs because the directors thought an upward trend in world copper prices would justify the move.

Subsequently there were massive cost overruns, technical difficulties and a fall in copper prices.

These were major factors in the sharp fall in Peko's net profit for the year to June 30 to A$3.94m (£2.4m) from the previous year's A$46.68m and led to the company scaling down production three months ago in an effort to halt the losses.

In London yesterday shares of Peko-Wallsend closed 20p down at 380p after having fallen to a year's low of 370p.

Guildhall Property payout up

AN INCREASED final dividend has been declared by Guildhall Property Company, and pre-tax profits were boosted from £900,831 to £1.02m in the year to June 30 1981.

The final of 4.4p (3.9p) net per 25p share follows a same-again interim of 0.75p and makes the total 5.15p (4.65p). Some small increase was foreshadowed in the interim report, with an improved performance having been expected.

Earnings per share are stated as 8.1p (7.4p) at the year end.

Tax took £519,000 (£438,400), bringing attributable profits to £505,537, up from £462,431.

Guildhall owns several dozen industrial properties, mostly freehold factories in North-West London.

F. Thorpe profits fall sharply

TAXABLE profits fell sharply at F. W. Thorpe, from £784,365 to £512,375 for the year to June 30 1981. Turnover slipped from £4.47m to £4.09m, including exports, down from £1.07m to £982,528.

In their interim report the directors said that they saw no signs of a positive improvement in the depressed home market. The company manufactures "Thorlux" lighting for commercial and industrial use.

Second half results show pre-tax profits down from £383,995 to £238,658 on turnover lower at £2.08m, compared with £2.23m.

The final dividend has been held at 1.45p making a repeated total of 2.45p.

Raglan in surge to £108,988

TAXABLE profits of Raglan Property Trust, involved in management and investment in residential and commercial premises, advanced strongly to £108,988 in the year to March 31 1981, against £57,704.

Earnings per 1p share are given as 0.42p (0.22p). No dividend has been paid since 1974.

Gross income rose from £277,458 to £497,590. No tax has been levied, allowing the full profits figure to be retained.

Last time £54,365 was credited as extraordinary items, mainly representing property revaluations, thus bringing the retained sum to £112,069.

Erith first half hit by lower sales

LOWER sales volume was blamed by Mr G. Fisher the chairman of Erith and Co., builders' merchant, for a fall in pre-tax profits for the first six months to June 30 1981. The figures were down from £659,000 to £510,000, on turnover reduced from £16.28m to £15.53m.

Mr Fisher says that even allowing for the recent rise in interest rates, second half profits will exceed those of the first six months.

In the second half last year the company produced pre-tax profits of £739,000 on turnover of £15.82m. The last total dividend was 4p paid from full-year results of £1.4m on turnover of £32.1m.

The interim dividend this time is 1.25p (same). Mr Fisher adds that profits before tax fell despite tight control of overheads. Increased charges, higher than the general rate of inflation, mainly in Government controlled monopoly services, have been difficult to absorb.

Depreciation came to £164,000 against £136,000 last time and pension fund contributions rose to £110,000 (£78,000). The tax charge was reduced from £336,000 to £210,000. Distributable profits emerged at £300,000 (£310,000).

● comment

Erith, which operates in the South East, has been shielded from the worst impact of the recession. Sales of its relatively low margin direct trade, which includes bulk sales of bricks, cement and the like, have decreased. The Hunt acquisition made a small profit contribution and is gradually being expanded. Most of the downturn in the interim was due to a poor first quarter compared to a very good start to 1980. Erith says that since June sales are up on the comparable period and its gross margins are higher. Unfortunately bloated rate bills, rising overhead costs generally and high interest charges will eat into these margins. Traditionally second half earnings are slightly higher than the interim so Erith is on course for about £1.1m this year. The shares at 78p yield 8 per cent and stand on a fully taxed p/e of 12.8.

Little change for enlarged Sandhurst group

RESULTS OF the enlarged Sandhurst Marketing group show a modest increase of £7,000 to £253,000 in pre-tax profits for the half-year to July 31 1981. Turnover of this supplier of stationery and allied products and manufacturer of chemical products, was substantially higher at £8.54m compared with £3.51m.

Mr B. D. Holme, the chairman, says the current period reflects the results from the enlarged group following the acquisition in February of F. Smith (Office Equipment) Holdings, but also reflects rates of interest charged on additional borrowings needed for the purchase.

He says the necessary rationalisation following the merger is making good progress, adding: "We are ready and set to go when there is a light at the end of the tunnel. At the moment, I cannot see the tunnel, let alone the light."

"I am certain that the climate under which British industry is trading at the moment is not going to change in the foreseeable future, and is the condition under which all forecasts and results should be judged for many years to come."

He says the results for August and September are encouraging, however, and there is every indication that, under prevailing conditions, the group will show good results for the remaining four months.

The pre-tax figure was struck after interest charges up from £123,000 to £260,000. There was a tax charge of £51,000 against £14,000, leaving attributable profits of £212,000 (£341,000) after extraordinary credits of £10,000 (£109,000).

The extraordinary profit arose from post-acquisition appreciation of the Smith's expension fund investments (£36,000), a premium arising from the disposal of a leasehold property (£5,000) less expenses incurred in the relocation of trading operations (£26,000), loss on the sale of shares in an unquoted investment (£2,000) and estimated tax liabilities arising on the extraordinary items (£3,000).

The interim dividend is raised by nearly 6 per cent from 0.6435p to 0.676p, and stated earnings per 10p share are down from 4.66p to 3.69p.

● comment

Although interim trading profits of Sandhurst Marketing are up by about a fifth, this is perhaps slightly less than might have been hoped after the Smith acquisition early this year. More rationalisation of Smith's and Sandhurst's office equipment businesses was required than anticipated. Meanwhile, the high cost of the £1.1m borrowed to finance the acquisition has all but eliminated any growth at the pre-tax level. Net borrowings of £1.8m stand at an uncomfortable two-thirds of shareholders' funds. The chairman's statement is not very encouraging but now that Smith has been absorbed and the group is in significant force in the office equipment field in the Southeast, good improvement in the second half is possible, perhaps leading to £0.6m profits in the full year. Assuming the increase in the interim dividend is matched at the final, the prospective yield at 47p, up 2p, would be just over 6 per cent, which does not provide much support for further price appreciation.

Aberthaw down but dividend boosted

PRE-TAX PROFITS and turnover were both down at Aberthaw and Bristol Channel Portland Cement Company, but the interim dividend has been increased from 3.5p to 4p net per 25p share.

For the first six months of 1981 turnover of this cement manufacturer slipped from £15.96m to £15.35m and the taxable surplus dropped to £993,000 (£1.38m).

The directors say there was a recovery in output, following the low first quarter, which enabled a satisfactory level of production for the half year. Since May, sales volume has increased and they expect more cement to be sold in the last six months of 1981 than in the first.

If this occurs, they say, it is likely that results for the second half will show an improvement against the profit earned to June 30.

In April the directors reported 1980 full-year pre-tax profits of £2.57m (£1m), and said that the first half result would be considerably lower than the previous period.

Six months' depreciation took £516,000 (£410,000) and interest charges were £439,000 (£443,000).

After tax of £210,000 compared with £250,000, net profits were £783,000 (£1.13m) giving earnings per share of 19.97p (28.9p).

Pochin's increases to £0.15m in year

TAXABLE PROFITS of builder and civil engineering contractor, Pochin's, increased from £714,694 to £868,841 for the 12 months ended May 31 1981 although the second-half figure showed a reduction from £462,446 last time to £416,972. Full year turnover rose from £15.1m to £21.26m.

Mr A. C. Pochin, the chairman, says that despite a reasonable workload ahead, it is unlikely that a similar turnover to 1980-81 will be achieved.

Trading profits for 1980-81 advanced from £651,397 to £802,921, before non-trading income of £65,920 (£63,297). After deducting tax of £124,107 (£303,578) but including this time a deferred tax write back of £685,600, the net surplus rose sharply from £411,116 to £1.43m.

Stated earnings per 25p share jumped from 39.53p to 137.58p, while the dividend total is unchanged at 9p net with a same-again final of 8.125p.

During the year the flats at Llandudno have been completed and are now on offer for sale, although in the current market conditions the company is experiencing some sales resistance. The board believes, however, that this is a useful longer term asset.

The industrial estate at Middlewich is proceeding satisfactorily, albeit not as quickly as hoped. Also, a new concrete pumping depot has been opened at Newport, Gwent.

Greenbank cost savings bring advance midterm

COST SAVINGS enabled Greenbank Industrial Holdings, engineer, to lift pre-tax profits to £539,070 in the half-year to June 30, 1981, against £453,098.

These measures offset a dip in trading profits, from £522,598 to £508,648, which was brought about by reduced sales of £3.67m (£4.6m).

The interim dividend is being raised to 0.6p net per 10p share in order to restore the approximate 45-55 ratio with the final which existed until 1980. The total is not expected to be less than the 1.35p paid last year, when the taxable surplus was £1.63m.

At that time the directors said that although orders were difficult to obtain, with many customers holding back due to capital expenditure restrictions, the group was in a position to take advantage of any recovery in trading.

The pre-tax profits for this period were struck after allowances for interest received of £142,729 (£79,388) and interest paid of £10,561 (£34,649).

Debits of £101,746 (£114,239) were made for depreciation, and tax took £267,093 (£252,500).

Marler profits slide to £180,572 for the year

TAXABLE PROFITS of Marler Estates, property investor and developer, fell from £265,710 to £180,572 on considerably reduced turnover of £1.15m, compared with £3.87m, for the year to March 25 1981.

In their interim report the directors stated that since September 1980 the group had achieved dealing profits in excess of £170,000 which would be reflected in the full-year results.

The second half pre-tax figure improved from £116,683 to £160,967.

The final dividend is repeated at 1p which maintains the year's total at 2p. Earnings per share are down from 5.84p to 3.64p. The net asset value amounted to £3.08m, equivalent to 78.68p per share (61.77p).

The tax charge was £35,577 (£35,252). The directors say that enough relief will be available for income, corporation, and capital gains tax to substantially eliminate any liability on the year's profits and chargeable gains. The tax reported relates mainly to ACT.

The group's investment properties have been valued at £3.24m which represents a surplus of £950,379 over book values.

Attributable profits emerged at £145,586 (£231,722) after net outgoings attributable to development properties of £302,711 (£133,161) and a surplus on the disposal of investment properties of £310,225 (£950,854).

Jebsen's as forecast

IN LINE with the year's projection contained in the placing memorandum for Jebsens Drilling, a North Sea rig operator, pre-tax profits for the six months to June 30 1981 were £4.3m.

Losses of £600,000 were incurred last time, but comparisons are distorted as a result of the acquisition on April 14 of a 67.5 per cent interest in PacNorse Drilling Corporation, results for which were included from that date.

Revenues of £11.6m (£5.9m) less operating expenses of £7.5m (£4.6m) left operating profits at £4.1m (£1.3m). At this level Mr Alte Jebsen, the chairman, expects the performance to remain close to the projection for the year to December 31 of £11.5m, but the profits attributable to shareholders "will depend on interest levels which at present are running slightly higher than forecast, and on exchange rate movements."

Finance costs of £2.4m (£1.8m) were debited above the line, and £2.6m exchange gains were credited (£100,000 losses). The gains resulted from the revaluation of the sterling debt in PacNorse due to the fall of the pound against the dollar.

No provision for UK deferred taxation was made, since the unrelieved tax losses available exceed the surplus of net book value of assets over their tax written-down value and other timing differences.

A debit of £1m was made for minority interest, leaving attributable earnings at £3.3m. The projected figure for the year is £4.6m.

In April an unsecured non-interest bearing loan note was issued at a premium of £1.94m, eliminating the deficit on revenue reserves as at the end of last year.

DAVID MARTIN GP.

We have been asked to point out that David Martin Group has no connection with David Martin Products which was recently wound up in the High Court.

SPAIN

October 15	Price %	+ or −
Banco Bilbao	354	−6
Banco Central	341	−6
Banco Exterior	310	
Banco Hispano	317	−3
Banco Ind. Cat.	118	
Banco Santander	388	+4
Banco Urquijo	240	−2
Banco Vizcaya	375	−5
Banco Zaragoza	235	−5
Dragados	173	
Espanola Zinc	76	+1
Fecsa	71	+0.5
Gal. Preciados	51.5	
Hidrola	76.2	−0.8
Iberduero	56.2	−0.8
Petroleos	107	−3
Petroliber	83	
Sogefisa	51	
Telefonica	78	−1
Union Elect.	74	−1

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$450	3	16	—	—	—	—	$445.50
GOLD C	$475	—	—	—	—	35	43	"
		Oct.		Jan.		April		
ABN C	F.280	5	6	—	—	—	—	F.286
AKZO C	F.20	161	2.10	—	—	—	—	F.21.90
AKZO C	F.22.50	—	—	80	1.60 B	—	—	"
AKZO C	F.25	—	—	30	0.90	—	—	"
AKZO C	F.27.50	—	—	—	—	10	0.80	"
AKZO P	F.20	—	—	30	1.20 A	—	—	"
AKZO P	F.22.50	48	0.50	15	1.50	—	—	"
AKZO P	F.25	16	3	5	3.50	—	—	"
HEIN C	F.45	35	1.20 B	—	—	12	5.80	F.46.40
HEIN C	F.50	—	—	85	2	—	—	"
HEIN P	F.50	24	4 A	—	—	—	—	"
HOOG C	F.15	—	—	23	1.20	—	—	F.14.70
HOOG C	F.20	—	—	—	—	6	0.50	"
HOOG P	F.15	—	—	12	1.10	—	—	"
IBM C	$50	—	—	11	$4\frac{5}{8}$	—	—	$52½
IBM C	$60	—	—	—	—	6	$1\frac{7}{8}$	"
IBM P	$50	—	—	—	—	10	$1\frac{7}{8}$	"
KLM C	F.90	182	3	58	11	20	5 B	F.92.70
KLM C	F.100	22	0.10	62	6.70 B	—	—	"
KLM C	F.110	—	—	10	4.30 B	—	—	"
KLM C	F.120	—	—	16	3	—	—	"
KLM P	F.80	—	—	124	2	—	—	"
KLM P	F.90	193	0.40	83	5.10	—	—	"
KLM P	F.100	56	8	61	9	—	—	"
NEDL C	F.130	10	8.80 B	—	—	—	—	F.139
NEDL C	F.140	14	0.30	—	—	—	—	"
NEDL C	F.160	—	—	11	3.40	—	—	"
NEDL P	F.130	8	0.10	—	—	—	—	"
NEDL P	F.140	94	0.70	—	—	—	—	"
NEDL P	F.150	7	12.60 A	—	—	—	—	"
NATN C	F.110	18	1 B	10	5	—	—	F.111.40
NATN P	F.110	—	—	7	3.20	—	—	"
PHIL C	F.17.50	94	2.50	—	—	—	—	F.20
PHIL C	F.20	45	0.10	50	1.70	—	—	"
PHIL C	F.22.50	—	—	92	0.80	725	1.50	"
PHIL C	F.25	—	—	95	0.40	20	0.80	"
PHIL C	F.27.50	—	—	10	0.20	—	—	"
PHIL P	F.20	61	0.10	50	1.30	7	1.90	"
PHIL P	F.22.50	—	—	40	2.80	—	—	"
PHIL P	F.27.50	—	—	7	8.10	—	—	"
RD C	F.70	—	—	14	10	—	—	F.74.90
RD C	F.80	—	—	51	4	102	5.80	"
RD C	F.90	—	—	58	1.50	—	—	"
RD C	F.100	—	—	28	0.50	—	—	"
RD P	F.70	—	—	37	2.40	—	—	"
RD P	F.80	40	5.40	6	6.80	—	—	"
UNIL C	F.130	—	—	8	10.50	—	—	F.135.90
UNIL C	F.140	—	—	9	5.70 B	—	—	"
UNIL C	F.160	—	—	11	1.20	—	—	"
UNIL C	F.170	—	—	62	0.50	—	—	"
UNIL P	F.130	—	—	31	3	—	—	"
UNIL P	F.135	21	0.50	—	—	—	—	"
UNIL P	F.140	6	3.80 A	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 3598

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	15½%
Allied Irish Bank	15½%
American Express Bk.	15½%
Amro Bank	15½%
Henry Ansbacher	15½%
■ Arbuthnot Latham	15½%
Associates Cap. Corp.	16 %
Banco de Bilbao	15½%
BCCI	16 %
Bank of Cyprus	15½%
Bank of N.S.W.	16 %
Banque Belge Ltd.	16 %
Banque du Rhone et de la Tamise S.A.	16 %
Barclays Bank	15½%
Beneficial Trust Ltd.	17 %
Bremar Holdings Ltd.	17 %
Bristol & West Invest.	17 %
Brit. Bank of Mid. East	15½%
■ Brown Shipley	16 %
Canada Perm't Trust	16½%
Cayzer Ltd.	16 %
Cedar Holdings	16 %
■ Charterhouse Japhet	16 %
Choulartons	16 %
Citibank Savings	‖15 %
Clydesdale Bank	15½%
C. E. Coates	16 %
Consolidated Credits	16 %
Co-operative Bank	*15½%
Corinthian Secs.	15½%
The Cyprus Popular Bk.	16 %
Duncan Lawrie	15½%
Eagil Trust	15½%
E. T. Trust Limited	16 %
First Nat. Fin. Corp.	17 %
First Nat. Secs. Ltd.	17 %
Robert Fraser	16 %
Antony Gibbs	15½%
Grindlays Bank	‡15½%
■ Guinness Mahon	15½%
■ Hambros Bank	15½%
Heritable & Gen. Trust	15½%
■ Hill Samuel	§15½%
C. Hoare & Co.	†15½%
Hongkong & Shanghai	15½%
Knowsley & Co. Ltd.	16½%
Langris Trust Ltd.	16 %
Lloyds Bank	15½%
Mallinhall Limited	15½%
Edward Manson & Co.	17 %
Midland Bank	15½%
■ Samuel Montagu	15½%
■ Morgan Grenfell	16 %
National Westminster	15½%
Norwich General Trust	15½%
P. S. Refson & Co.	15½%
Slavenburg's Bank	15½%
E. S. Schwab	17 %
Standard Chartered	‖15½%
Trade Dev. Bank	15½%
Trustee Savings Bank	15 %
TCB Ltd.	16 %
United Bank of Kuwait	15½%
Whiteaway Laidlaw	16 %
Williams & Glyn's	15½%
Wintrust Secs. Ltd.	15½%
Yorkshire Bank	15½%

■ Members of the Accepting Houses Committee.

* 7-day deposits 14%, 1-month 14.25%. Short term £8,000/12 months 16.60%.

† 7-day deposits on sums of £10,000 and under 13½%, up to £50,000 14% and over £50,000 14½%.

‡ Call deposits £1,000 and over 13½%.

§ Demand deposits 14%.

‖ 21-day deposits over £1,000 15%.

¶ Mortgage base rate.

هكذا من الأصل

Linfood chairman attacks Argyll plan to 'wrest control'

IN HIS rejection of the Argyll Foods bid, Mr D. A. Monk, the chairman of Linfood Holdings, tells shareholders that "Argyll has nothing to offer your company which Linfood could not achieve on its own."

Mr Monk says that since September 9 he had had two meetings with Mr James Gulliver, the chairman of Argyll, and on "neither occasion did he put forward any concrete proposals for the future of Linfood other than a merger with Argyll."

Mr Monk describes the bid as "yet another attempt to wrest control of your company for the benefit of their shareholders at a time when Linfood, under new management, has formulated a new corporate strategy but before this has had a chance to be reflected in the published results."

Linfood claims that the benefits of the new policies are already beginning to show through and will increase in the months ahead. Mr Monk says these form the base from which the full potential of Linfood will be realised. "As one example, last year's problems at Gateway are being tackled and sales in that division are now moving briskly upwards."

Linfood believes the effect of Argyll's proposals "will be to take away from you a significant part of your equity interest in Linfood's assets and profit potential without exchanging it for an interest of anything like equivalent value."

Linfood plans to send out detailed replies to any offer documents by Argyll which will contain a profit forecast by the group.

At yesterday's annual meeting of Argyll Mr Gulliver told his shareholders the group's policy and long-term objectives were for steady expansion by organic growth and by acquisition, to develop Argyll into a broadly based food group.

Referring to the bid for Linfood, Mr Gulliver said he was "convinced of the merits of the merger" which is backed by long-term financial support from the City. The formal offer document is expected to be sent out early next week.

The integration of Oriel Foods into the group had been completed and as a result the liquidity position of the group had benefited significantly. He pointed out that the group's cash position had improved by over £6m since January.

The only shareholder to speak at the meeting questioned the rate of growth by the group. He said the "speed of expansion was too great" and he and left shareholders with "suspended judgment" on the group's performance.

The shareholder was also critical of the group's acceptance of the conviction of the group's finance director, at Cardiff Magistrates Court in June, for technical infringements of two sections of the Companies Act.

The chairman was asked whether the directors would consider re-opening the matter by appealing.

Mr Gulliver said the prosecution had "come as a surprise" to the directors. But the case had been considered fully and although the directors thought the matter unsatisfactory they did not believe the group should take it further, Mr Gulliver said it was a subject better taken up by the accountancy profession, which had in fact taken note of the case.

Panmure Gordon on behalf of Argyll purchased in the stock market yesterday £250,000 nominal of 12 per cent convertible loan stock 1988/90 of Linfood at £113½ per cent.

Berec tumbles 32% midway but insists Hanson offer inadequate

BY DUNCAN CAMPBELL-SMITH

THE STRUGGLE by Berec to defeat Hanson Trust's takeover bid intensified as the Ever Ready battery group announced a 32 per cent fall in pre-tax profits for the half-year to August 29. Publication of Berec's interim results was accompanied by a second letter to shareholders from Mr C. G. Stapleton, the company's chairman and managing director, stressing the "inadequacy" of the Hanson bid.

The bid, approved by Hanson shareholders on October 1, offers three ordinary shares in Hanson for every eight in Berec, or else a straight 105p in cash for every Berec ordinary share. Hanson shares yesterday closed down 9p at 261p, implying a value of 95p per Berec share under the terms of the exchange offer. Berec's shares closed down 1p in the market, at 106p.

Hanson's cash offer values Berec at £70m. At last night's share prices, the exchange offer would be worth a total £65.4m.

Berec's pre-tax profits of £2.21m for the first half of its 1981-82 year compared with £3.23m. Revenues rose slightly to £118.79m against £110.12m but trading profits were down, at £5.2m against £5.77m, and interest charges were up nearly £1m at £2.99m. The board declared an interim dividend of 1.3p per share.

Commenting on the results, the management disclosed that Berec had incurred a loss in the first quarter followed by "a marked improvement" in the second. The attributable pre-tax profit forecast for 1981-82 of £14m, against £10m in 1980-81, remains unchanged.

The chairman's letter to shareholders confirms the stated intention of the board to restore the 1982 dividend to at least the 1980 level of nearly 5.5p per share. It was cut to 3.4p for the 1981 financial year.

The letter reviews the "important structural changes in Berec's business" and in particular the company's adjustment to the impact on its markets of new battery technology. Hanson's offer document accuses Berec's management in this context of "taking their time while others have forged ahead."

The essence of Berec's response to this charge is that it has now invested heavily in new systems and foreign markets, accounting for a depressed profit performance in recent years but justifying confidence in the future. With the results "beginning to show through," Hanson's bid is seen as opportunist and "demonstrably inadequate."

Losses in Hong Kong and Nigeria, two problem areas noted in the letter are estimated to reach £2½m and £1½m respectively for the current year. Both figures are understood to have been taken into account in management's £14m profit forecast.

A strong balance sheet position at Berec is described alongside figures suggesting a heavy borrowing requirement at Hanson. Berec's own debt is expected "to remain broadly stable this year and to start to reduce in 1982-83."

Some trouble is also taken to refute "misleading or irrelevant" comments by Hanson, which the chairman accuses of concentrating "increasingly on personal and vituperative attacks" on the Berec board.

Mr Martin Taylor, a director of Hanson, claimed last night that the Berec letter had "nothing new to say." Describing the interim results as "dismal," he said the chairman's review of operations could only renew doubts about the prudence of Berec's Hong Kong operation and the future of its Nigerian market.

"The letter talks constantly about expectations," he added, "but they do appear to us extremely optimistic."

Hanson yesterday bought 200,000 Berec shares in the market at 105p, increasing its total holding to 10.15m or 15.18 per cent of the total.

LONDON TRADED OPTIONS

Oct. 15. Total Contracts 1,073. Calls 647. Puts 426

Option	Ex'rcise price	Oct. Closing offer	Vol.	Jan. Closing offer	Vol.	April Closing offer	Vol.	Equity close
BP (c)	240	48	45	62	—	72	—	286p
BP (c)	280	10	10	28	1	38	—	"
BP (c)	300	2	9	22	1	30	2	"
BP (c)	320	⅛	—	15	1	—	—	"
BP (c)	350	¼	—	6	2	—	—	"
BP (c)	360	—	—	—	—	12	25	"
BP (p)	240	1½	—	4	—	5	11	"
BP (p)	260	2	3	10	—	12	—	"
BP (p)	300	20	1	24	10	34	—	"
BP (p)	360	—	—	—	—	82	25	"
CU (c)	130	6	2	—	—	—	—	134p
CU (c)	180	⅜	—	4	6	5	—	"
Cons. Gld (c)	420	75	9	93	18	105	9	495p
Cons. Gld (c)	460	35	1	60	—	77	—	"
Cons. Gld (c)	500	7	77	38	10	50	—	"
Cons. Gld (c)	550	1	—	15	4	28	—	"
Court'lds (c)	50	4	—	8	80	10½	—	52p
Court'lds (c)	60	½	—	3	4	5½	—	
GEC (c)	650	40	—	74	5	102	—	684p
GEC (c)	700	8	5	44	1	72	—	"
GEC (c)	750	1	—	25	7	45	1	"
Gr'd Met. (c)	160	4	—	18	1	24	—	160p
Gr'd Met. (c)	180	¾	—	9	50	15	—	"
Gr'd Met. (c)	200	⅛	7	6	—	10	—	"
Gr'd Met. (c)	220	½	—	4	—	5	5	"
Gr'd Met. (p)	160	5	9	14	50	19	—	"
Gr'd Met. (p)	180	21	—	27	27	30	—	"
Gr'd Met. (p)	200	41	—	41	10	43	—	"
ICI (c)	260	5	10	20	39	30	—	256p
ICI (c)	280	1	—	13	25	22	1	"
ICI (c)	300	½	—	9	1	15	—	"
ICI (p)	240	3	—	12	25	17	—	"
ICI (p)	260	7	25	20	13	26	—	"
ICI (p)	280	24	—	30	10	34	6	"
Land Sec. (c)	260	26	24	34	—	46	—	283p
Land Sec. (c)	280	—	—	—	—	32	1	"
Land Sec. (c)	288	5	—	16	3	—	—	"
Mks & Sp (c)	100	14	10	18	—	22	—	112p
Mks & Sp (c)	110	5	5	11	—	15	—	"
Shell (c)	300	37	10	56	—	61	—	334p
Shell (c)	330	10	28	28	1	42	—	"
Shell (c)	360	1	—	15	5	25	1	"
Shell (c)	390	½	—	7	—	14	1	"
Shell (p)	300	3	10	5	25	11	—	"
Shell (p)	330	6	2	14	10	20	—	"
Shell (p)	390	56	25	60	—	62	—	"
		November		February		May		
Barclays (c)	460	4	—	12	—	18	4	400p
Imperial (c)	60	3	—	4	3	5½	—	58p
Lasmo (c)	500	17	5	34	—	52	—	478p
Lasmo (c)	550	7	—	24	—	30	5	"
Lasmo (c)	600	5	—	16	4	22	—	"
Lonrho (c)	70	6	—	9	3	11	—	72p
Lonrho (c)	80	2	—	5	2	7	10	"
Lonrho (c)	90	1	10	2½	—	4½	—	"
Lonrho (p)	70	4½	—	6½	—	10	10	"
Lonrho (p)	80	10	5	13	—	16	4	"
Lonrho (p)	100	29	—	29	7	—	—	"
P & O (c)	100	4	—	8½	—	11	1	97p
Racal (c)	390	28	—	50	1	63	4	405p
Racal (c)	420	15	—	35	5	45	—	"
Racal (c)	500	2	4	10	—	17	—	"
Racal (p)	330	3	5	7	5	—	—	"
Racal (p)	360	7	17	20	5	25	—	"
Racal (p)	390	15	18	27	3	32	—	"
Racal (p)	420	30	27	43	—	47	—	"
Racal (p)	460	62	2	67	1	68	—	"
RTZ (c)	500	18	5	42	4	60	2	477p
RTZ (c)	550	10	1	25	1	40	—	"
RTZ (c)	600	5	3	14	—	25	2	"
RTZ (c)	650	4	—	8	4	—	—	"
RTZ (p)	460	15	—	22	13	27	—	"
RTZ (p)	500	32	1	40	—	42	1	"
RTZ (p)	550	75	—	80	1	82	—	"
Vaal Rfs. (c)	70	4¼	5	7½	—	9¼	—	$69
Vaal Rfs. (p)	70	5	5	7½	—	8¼	—	"

C=Call P=Put

Warren recommends McLeod's new terms

McLeod Russel, the tea plantation group, has gained the recommendation of the board of Warren Plantation Holdings for its bid for the company, following the addition of an all cash alternative to its terms which values the plantation group at some £25.3m.

McLeod — which launched its bid at the beginning of the month at 215p per share—made an increased offer equal to 240.5p following the late intervention of International Plantations, the Danish group, with an offer of 240p.

McLeod now owns or has irrevocable acceptances for a total of 51.33 per cent of Warren's capital. The offerors intend to accept in respect of their holdings of 2.24 per cent.

The offer, which secured control of Warren, was 171.69p in cash and 55p nominal of 8.5 per cent convertible preference shares of McLeod.

Under the new agreement Noble Grossart, the financial advisers to McLeod, have arranged to underwrite the preference shares to be issued to give shareholders the right to elect to receive a cash consideration of 240.5p.

McLeod has received irrevocable undertakings to accept a minimum of 1,722,427 convertible shares.

The maximum cash consideration payable by McLeod is £8.53m which will be partly satisfied by an underwriting of £5.85m by Noble Grossart to subscribe for or obtain subscription for the balance of up to 3.05m convertible shares at a price of 125.1p per share.

In its statement Warren says that since McLeod obtained effective control, higher cash offers have been made to the group. However, McLeod has said that it would effectively preclude such offers from being declared unconditional.

On the stock market yesterday Warren shares fell 2p to 229p while McLeod gained 10p to 335p.

Warren says that the group's evenly balanced geographical spread of plantations and other interests is a unique situation.

"Although there is significant growth potential, the board considers that it cannot recommend shareholders to remain as minority shareholders in a company which may lose its identity." The directors therefore see no alternative but to recommend the offer.

Shortly after the revised terms were announced by McLeod, GT Management, the investment management group, bought an 11 per cent holding in the company taking its total stake up to near 15 per cent.

GT said it intended for the moment to remain as a substantial minority shareholder.

Midland Bank takes 51% of Crocker for $595m

THE FIRST stage of the $820m Midland Bank investment in Crocker National Corporation of the U.S. has been completed, creating one of the 10 biggest banking groups in the world with assets of about $80bn.

Mr Geoffrey Taylor, deputy group chief executive and Mr Malcolm Wilcox, a Midland bank director, signed the deal in San Francisco yesterday afternoon, when Midland Bank paid out $595m for its initial 51 per cent stake. Mr Tom Wilcox, the chairman of Crocker, said the agreement marked the "beginning of the largest alliance in history between two banking institutions."

Midland's offer to buy majority control of Crocker was more than twice oversubscribed with Crocker shareholders tendering 13.5m shares (equivalent to 86 per cent of the capital) of which Midland agreed to buy 6.5m at $50 per share. In addition, the bank bought 3m new shares.

The second stage involves Midland buying 2.5m new shares in Crocker at $90 per share over the next four years, increasing its stake to 57 per cent.

Mr Tom Wilcox said Midland Bank's capital injection would enable Crocker to increase its assets to more than $30bn over the next few years, 50 per cent above current levels. "Also our legal lending limit will rise immediately to more than $100m and ultimately to about $125m, enabling us to serve customers having sizeable credit needs more effectively."

Crocker is the 12th largest bank in the U.S. with assets at the end of June 1981 of nearly $20bn.

N. Atlantic proposals to increase its appeal

By Tim Dickson

North Atlantic Securities Corporation, a £35m investment trust, is putting forward a number of proposals which it hopes will "significantly reduce the discount" between its share price and net asset value. The announcement pushed the shares 6p higher to 127p last night.

In what represents the latest move by an investment trust to increase its appeal to shareholders, North Atlantic is proposing:

To specialise solely in overseas investments, which currently account for about 85 per cent of total assets;

To give shareholders the chance to review the performance of the company once a year and if they wish to wind it up or unitise.

Lord Wakehurst, chairman, says in a letter to shareholders that the board has already considered a number of ways of reducing the discount, including unitisation. Certain shareholders have even come forward with their own proposals.

Discussing the proposed change in investment policy, Lord Wakehurst says that overseas investments will continue to be centred on North America and Japan together with smaller proportions in other markets in the Far East and elsewhere. Because of the lower yields on overseas shares and the UK corporation tax which has to be paid on foreign dividends, however, dividends paid by the company are likely to be "appreciably lower" than those paid in the recent past.

A final dividend of 2.75p net will be recommended for the year ended September 30, 1981, giving a total of 4.5p net. The intention is that total dividends in the current year will not be less than 2.75p net.

Turning to the performance review, he says the directors are proposing to bring forward an ordinary resolution at the AGM in respect of the year ending September 30, 1983 which, if approved by shareholders, would require the directors to hold within three months an EGM to consider proposals either to liquidate or unitise the company.

If they decide at this AGM or any future AGM to extend the life of the company the directors will bring forward similar ordinary resolutions at succeeding AGMs.

North Atlantic, Lord Wakehurst adds, has strengthened its links with Morgan Grenfell by inviting Mr H. G. Corell Barnes, a director of the bank, to join the board. Mr J. L. Boyer, formerly deputy chairman of the Hongkong and Shanghai Banking Corporation and now chairman of Anthony Gibbs Holdings, is also joining the board.

An EGM has been called for Friday October 30.

See Lex

Cater Ryder agrees on Allen offer

Cater Ryder and Allen and Harvey and Ross have agreed on the terms of an offer for the preferred ordinary share capital of Allen Harvey on the basis of one 4.2 per cent second cumulative preference share of £1 in Cater for each preferred ordinary share in Allen Harvey.

ANTOFAGASTA TO LIFT STAKE IN CHILE BANK TO 10%

Andes Trust, a wholly owned subsidiary of Antofagasta (Chile) and Bolivia Railway, has acquired a further 3.92 per cent (2.05m shares) in the capital of Banco O'Higgins, a commercial bank incorporated in Chile. Combined with a purchase announced on September 17, Andes has a holding in the bank representing approximately 7.1 per cent.

It is intended that Andes increase its interest to 10.15 per cent by the purchase of an additional 1.56m shares. The purchase price of all the shares is £4.45m.

The share purchases so far made have been financed by short term borrowings and it is intended that the whole of the holding be funded by a secured five-year loan to be provided by Bank of America and Barclays Bank International.

Antofagasta's board says the streamlining of railway operations and the reorganisation of services and manpower carried out in Chile have enabled it to effect a significant turnround from loss to a very satisfactory level of profits in the current year.

The arrears of the preference dividend have been paid and the board will be reviewing the recommendation of a payment of a dividend on the ordinary stock in respect of the year to December 31 1981 in the light of the final results for the year, the level of distributable reserves and its cash requirements.

FOSTER BROTHERS EXPANDS IN U.S.

Foster Brothers Clothing Company has formed a U.S. subsidiary, Anglo American Retail Corporation, and have acquired a substantial interest in two major American menswear retailers.

The acquisition of Nateo Industries (trading as National Shirt), together with Biny Clothing will operate from 280 stores coast-to-coast. The two companies will have a combined turnover approaching $100m.

ASDA DIRECTOR REDUCES STAKE

Mr Harold Pfotech, a director of Associated Dairies Group, has sold 1.1m shares in the company, realising £1.82m.

The sale reduces his holding from 0.6 per cent to 0.186 per cent (525,723 shares). Of the shares sold, 1m were disposed of at 165.25p and 100,000 at 170p.

BARKER & DOBSON

An agreement has been signed for Barker and Dobson Group to acquire from Guardian Newsshops its chain of 19 confectionery, tobacco and newsagents shops, which are located in Cheshire, Lancashire, Merseyside and Greater Manchester.

The purchase price is £605,000—£282,000 for property fixtures and fittings and £323,000 for trade value—plus an amount to be agreed equal to the value of stock and debtors. The deal is to be satisfied by 15,530,269 ordinary shares in Barker and Dobson valued at £930,000. Any balance of the consideration for stock and debtors will be paid in cash.

BCR takes in Malay partners

THE directors of Bertam Consol Rubber Company say that, to allow for the introduction of Malaysian partners, a holding company is to be formed, Bertam Holdings, which will acquire from the existing stockholders all the stock units of BCR in exchange for an issue of its shares.

The holding company will become the direct owner of all the stock units of BCR which would continue to own the Malaysian business and assets.

Immediately after the acquisition of BCR, the other assets would be transferred to the holding company together with the shares in BCR's subsidiary, Kepala Batas Development SDN BHD, which is already resident in Malaysia and which holds a small part of the land with development potential.

BCR will cease to be resident in the UK for taxation purposes and BCR's tax residence will be transferred to Malaysia. The transfer of BCR's residence will have no adverse effect on the shareholders in the holding company.

The authorised capital of the holding company is £2m, divided into 20m shares of 10p each. Each stockholder of BCR will receive the same number of shares in the holding company as they hold of stock units of BCR.

Chairman change at W. H. Smith

Mr Simon Hornby is to become chairman of W. H. SMITH AND SON after the annual meeting in June 1982 in place of Mr Peter Bennett, who is to retire. Mr Hornby will remain chairman of W. H. Smith Do It All and W. H. Smith and Son (U.S.) Holdings Inc. and will retain ultimate executive responsibility for staff, property and management services.

Mr Malcolm Field is to be managing director of W. H. Smith and Son from February 1 with responsibility for the retail, wholesale and other trading businesses in the company.

Mr Godfrey Chandler has been elected deputy chairman in succession to Sir Humphrey Prideaux. Mr Hugh McNearnie and Mr Maurice Naerger, directors of W. H. Smith and Son Ltd have joined the holdings board.

Mr Melville Johnston will become retail managing director in place of Mr Field on February 1. On that date he will join the boards of W. H. Smith and Son (Holdings) and W. H. Smith and Son Ltd.

Mr Bennett has been appointed a director of Environetics International Inc of the U.S. and chairman of its European subsidiary. He has also become a director of Don Watt and Associates, Canada, and of Venture Horizons Inc. All three are private companies. He remains a non-executive director of Thorn EMI and of Lloyds and Scottish.

★

Mr L. A. Woodburn-Bamberger is to resign from the board of INTERNATIONAL TIMBER from December 31 to take up the appointment of director general of the TIMBER TRADE FEDERATION in March 1982 on the retirement of the present director general, Mr Sydney Redman. Mr Woodburn-Bamberger is a former president of the Timber Trade Federation and joined the International Timber board when it acquired Bambergers in 1978.

★

Mr John Waterlow has become sales director of JARROLD PRINTING, Norwich, not Jarrow Printing as reported on Wednesday. He was previously with Burrup Mathieson.

★

Sir Peter Parker, a director of ROCKWARE GROUP, has become deputy chairman. It is intended he will again be invited to become chairman. Sir Peter was chairman of Rockware Group until he was appointed chairman of British Rail.

★

The Secretary for the Environment has appointed Mr John Hart, Newham Council, Mr Paul Beasley, Tower Hamlets Council, and Mr John O'Grady, Southwark Council, to the board of the LONDON DOCKLANDS DEVELOPMENT CORPORATION.

★

Mr Julian Vear, formerly chief executive of SCICON CONSULTANCY INTERNATIONAL, a subsidiary of British Petroleum, has been appointed chief executive of Scicon International. He is also chairman of Scicon Consultancy International and Scicon Computer Services. Mr Warren Werblow is the new chief executive of Scicon Consultancy International.

OVERSEAS

Dr J. Birks is to join the board of LONDON AMERICAN ENERGY, of Netherlands Antilles, from December 1. He will also become chairman of Schroder Energy Inc, the wholly owned U.S. operating subsidiary of the company. Dr Birks is a managing director of the British Petroleum Company and has reached normal retirement age. will retire from that post next year.

★

Mr Anthony H. B. Baird has resigned from the partnership of WOOD MACKENZIE AND CO. stockbrokers, for personal reasons, and will take up an appointment in Australia with CORTIS AND CARR, stockbrokers.

★

Mr Andre Fouche has been appointed chief executive of CARLINGFORD SWIRE ASSURANCE in Hong Kong and will take up his appointment in November. The company is a joint venture between the Hongkong Bank Group and the Swire Group.

★

Mr Arthur E. Valk, vice-president, has become head of the treasury department of the NORTHERN TRUST COMPANY, Chicago. He was previously vice-president and foreign exchange manager of the London branch dealing division and Mr Ian G. Clark, second vice-president, has taken over responsibility for that division.

★

Mr Colin Glazebrook has been appointed to the newly created position of exploration manager of CLAREMONT PETROLEUM, Melbourne. He was previously chief petroleum geologist for a group of Australian exploration companies.

BANK RETURN

	Wednesday Oct. 14 1981	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	41,090,476	— 3,600,155
Bankers Deposits	587,457,673	+ 117,926,854
Reserve & other Accounts	1,484,766,398	— 16,966,888
	2,127,867,547	+ 97,359,811
Assets		
Government Securities	564,493,211	+ 83,590,761
Advances & other Accounts	1,012,131,770	+ 8,509,876
Premises Equipment & other Secs.	539,419,859	+ 10,309,230
Notes	11,597,550	— 5,033,219
Coin	235,157	— 16,837
	2,127,867,547	+ 97,359,811
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	10,600,000,000	— 50,000,000
In Circulation	10,588,402,450	— 44,966,781
In Banking Department	11,597,550	— 5,033,219
Assets		
Government Debt	11,015,100	—
Other Government Securities	8,624,549,987	— 298,699,056
Other Securities	1,964,434,913	+ 248,699,056
	10,600,000,000	— 50,000,000

Wilkinson boosts Allegheny's results

By Our New York Staff

ALLEGHENY International, the Pittsburgh company currently bidding for control of Sunbeam, an appliance maker, yesterday reported higher third quarter earnings, helped by the consolidation of the results of Wilkinson Match of the UK which Allegheny bought last year.

The company said it earned $18m from continuing operations, up 9 per cent from the previous year. Sales were $376.1m, compared with $215.4m.

Mr Robert Buckley, chairman, said the results had been boosted by higher profits from fabricated metals and a continued strong performance by an affiliate, Titanium Metals of America, both of which are expected to gain from the revived B1 bomber programme.

Mr Buckley said he was "especially pleased" with the contribution of Wilkinson which improved earnings "throughout 1981."

Allegheny said it had not yet formulated a reaction to IC Industries' latest increase in the terms of its offer for Sunbeam. Allegheny entered the bidding as a white knight for Sunbeam, but is probably waiting to see whether its own cash plus stock offer attracts a significant number of Sunbeam shares from holders.

Kodak earnings edge ahead

By Paul Betts in New York

EASTMAN KODAK, the leading photographic company, has reported a 6 per cent increase in third quarter earnings on an 8 per cent rise in sales, representing a considerable slowdown from earlier in the year.

Earnings totalled $334m on sales of $2.54bn compared with $316.1m on $2.36bn a year earlier. Nine months' earnings rose 16 per cent to $867.6m on sales up 10 per cent to $7.26bn.

Mr Walter Fallon, the chairman, said volume increases were "a driving force" in both the photographic and chemicals divisions of the company. He expected Kodak's full-year results to be satisfactory. But he noted that comparisons in the final quarter might be distorted by the unusually strong fourth quarter of 1980.

Morgan Guaranty income slips as spreads narrow

BY IAN HARGREAVES IN WASHINGTON

J. P. MORGAN, parent of Morgan Guaranty, the fifth largest U.S. Bank, suffered a 26.6 per cent drop in third quarter profits as the gap between the cost of its borrowed funds and the income on loans to customers widened.

Morgan said that before securities transactions it earned $75.7m in the third quarter, compared with $103.3m last year. The third quarter figure was also down by almost 20 per cent on the second quarter result.

The bank said the comparisons had been sharpened because of an extremely strong third quarter in 1980, when earnings were boosted by strong interest earnings from overseas offices.

Morgan also suffered losses on its bond trading activities of $200,000 and made substantial provisions for possible credit losses. The provision in the quarter was $12.1m and at the end of the quarter the company's total allowance for possible losses stood at $285.4m.

For the first nine months, Morgan's income before securities transactions was $249.7m, down 9.4 per cent from $275.5m the year before. These figures exclude securities losses, after taxes, of $21.2m this year and $17.9m last year.

● Continental Illinois Corporation, which owns Chicago's biggest and the seventh largest bank in the U.S., increased its net earnings by 16.2 per cent in the third quarter from $57.24m to $67.3m, or from $1.46 a share to $1.70. After securities transactions per share profits were $1.47 against $1.69.

For the nine months profits were 9.9 per cent ahead from $170.5m to $187.5m, or from $4.34 a share to $4.74. After securities transactions profits were $4.65 a share against $4.41.

The company attributed the third quarter improvement to gains in net interest income, which came mainly from an increase in earnings assets and an improvement in short-term interest rates in September.

Continental Illinois' third-quarter provision for credit losses was up from $25m to $32m, while actual credit losses were $1.5m higher at $17.5m.

Slow growth in third quarter for TRW

By Our New York Staff

TRW, THE Cleveland-based industrial group, yesterday reported sluggish sales and profits growth for the third quarter. It earned $83m on sales of $1.29bn compared with $43.9m on sales of $1.19bn last year.

But much of the profit increase stemmed from the sale to Datapoint of TRW's international distribution links for Datapoint products. Without that special factor, net profits were $52.6m, an 8 per cent increase.

TRW is struggling through the European and American motor industry recessions and just managed to increase sales and profits of its vehicle components division in the quarter. Sales rose by 2 per cent to $397m and operating profit by 4 per cent to $34.8m.

The electronics division, last year's high flier, has started to suffer from weakness in the telecommunications business and although sales climbed by 13 per cent to $512m, operating profit fell by 1 per cent to $33.3m.

For the first nine months of the year, TRW earned $201.9m, including the Datapoint transaction, on sales of $4bn, compared with profits of $154.7m on sales of $3.68bn last year.

U.S. drink and tobacco groups show improvement

BY OUR NEW YORK STAFF

SEVERAL U.S. companies in the drinks and tobacco business reported improved third quarter profits yesterday.

Philip Morris' earnings rose by just over 20 per cent to $202m, equivalent to $1.62 a share outpacing the advance in revenues which rose 9.4 per cent to $2.92bn. In the first nine months, Philip Morris earned $537m, up 22 per cent on the same period last year, while operating revenues rose 12 per cent to $8.31bn.

Mr George Weissman, the chairman, said that the company's sales of cigarettes both in the U.S. and abroad rose in volume terms. Revenues from the soft drink, brewing and industrial subsidiaries also rose.

R. J. Reynolds, the North Carolina-based consumer goods, transportation and energy group, reported an earnings gain of about 9 per cent to $203.5m or $1.87 a share. *Revenues rose* from $2.58bn to $2.88bn.

Mr Paul Sticht, chairman, described the results as "encouraging," despite the difficult economic climate. Tobacco sales were up, most strongly in the U.S. market, and energy revenues also rose thanks to both higher prices and increased volume.

G. Heileman, one of the fastest growing brewing groups in the U.S., reported that third quarter profits rose to $12.7m or 96 cents a share, compared with $11.1m or 85 cents in the third quarter of last year. Sales rose from $241.3m to $267.6m.

Strong steel demand lifts Kaiser

KAISER STEEL, the California company negotiating its sale to a group of private investors, bounced back into profit in the third quarter, helped by a sharp increase in steel demand in the period, writes our New York Staff.

Kaiser earned $21.5m on sales of $295.4m, compared with a loss from continuing operations last year of $3.9m on sales of $207m. Steel shipments rose by 21.5 per cent to 389,000 tons.

The group's steel business made a $4.95m profit in the third quarter, its third successive quarterly profit. This followed a string of steel losses stretching back for four years, during which time the company sold off most of its non-steel assets.

Broad quarterly advance for Allied

By Paul Betts in New York

ALLIED CORPORATION, the diversified U.S. chemicals company, reported yesterday third quarter net income of $80m before non-recurring gains—representing a 21 per cent increase over last year's $66m. All of Allied's business sectors contributed.

A net non-recurring gain of $38m brought third quarter earnings to $118m. This gain consisted of a $194m gain from the sale of Allied's Canadian oil and gas properties, which was partly offset by a provision of $156m.

Allied, like a number of other U.S. energy companies, decided to sell its Canadian assets in the face of Canada's new energy policy aimed at a *greater Canadian ownership* of the country's natural resources.

Allied's third quarter provisions include: a reserve for the write-off and eventual shut-down of a 50 per cent interest in a nuclear fuel reprocessing plant at Barnwell, South Carolina; charges covering a high density polyethylene solution plant made obsolete by construction of a new reactor; certain uneconomical chemical assets; a restructuring of seat belt operations and electrical products *facilities* serving the depressed car industry; and consolidation of the Mergenthaler Group's *activities*.

Third quarter sales advanced 17 per cent to $1.32b. At nine months sales were 16 per cent higher at $4.7bn and earnings, including the non-recurring gain in the third quarter, were $289m against $207m. Without the gain, earnings totalled $251m in the first nine months.

Grumman wins LTV injunction

By Our New York Staff

WALL STREET'S see-sawing perceptions of the battle by LTV, the Dallas industrial group, to gain control of Grumman, the aerospace company, turned round again yesterday following a ruling by a Federal judge late Wednesday that the bid may violate Anti-trust law.

The judge issued an injunction barring LTV from purchasing Grumman stock. LTV is to appeal the decision, but Wall Street fears that Grumman now has more time to continue building its other defences, such as amassing shares in its own treasury and in its pension and employee investment trust accounts.

Grumman shares re-opened after a delay yesterday at $29, down from $35 at their peak this week, when the Pentagon decided it would not oppose the bid on anti-trust grounds. Both LTV and Grumman make fighter aircraft for the U.S. Navy.

Shell refinery

Royal Dutch Shell last night denied reports that it was negotiating to sell its 362,000 barrels-a-day refinery at Curacao in the Caribbean to Petroven, Venezuela's state-run oil group, Sue Cameron writes.

U.S. QUARTERLIES

AMERICAN CYANAMID	1981 $	1980 $
Third quarter		
Revenue	935m	863.2m
Net profits	42m	40.2m
Net per share	0.85	0.84
Nine months		
Revenue	2.72bn	2.54bn
Net profits	131.3m	110.8m
Net per share	2.74	2.31

BURROUGHS	1981 $	1980 $
Third quarter		
Revenue	737.5m	699.3m
Net profits	32.4m	42.2m
Net per share	0.78	1.02
Nine months		
Revenue	2.19bn	2.12bn
Net profits	85m	150.7m
Net per share	2.07	3.63

CBS	1981 $	1980 $
Third quarter		
Revenue	995.1m	951.1m
Net profits	54.3m	55.7m
Net per share	1.95	2.00
Nine months		
Revenue	2.99bn	2.83bn
Net profits	110.3m	123m
Net per share	3.95	4.41

CHICAGO/NORTH WESTERN	1981 $	1980 $
Third quarter		
Revenue	244m	243.3m
Net profits	6.4m	13.5m
Net per share	0.46	0.97
Nine months		
Revenue	755m	675.4m
Net profits	33.2m	25m
Net per share	2.36	1.83

CONTINENTAL GROUP	1981 $	1980 $
Third quarter		
Revenue	1.36bn	1.14bn
Net profits	81.8m	71.8m
Net per share	2.23	2.00
Nine months		
Revenue	4bn	3.88bn
Net profits	225.8m	166.8m
Net per share	6.29	4.53

CONTINENTAL TELEPHONE	1981 $	1980 $
Third quarter		
Revenue	392m	319.8m
Net profits	37.8m	31.8m
Net per share	0.61	0.54
Nine months		
Revenue	1.11bn	948.8m
Net profits	102.1m	90m
Net per share	1.63	1.54

FRUEHAUF	1981 $	1980 $
Third quarter		
Revenue	537.4m	465.8m
Net profits	7.9m	2.4m
Net per share	0.64	0.19
Nine months		
Revenue	1.66bn	1.57bn
Net profits	20.6m	17.4m
Net per share	1.68	1.42

More quarterlies, Page 27

BFCE issue increased because of high demand

BY ALAN FRIEDMAN

THE $75m five-year bond issue for Banque Francaise du Commerce Exterieur was increased yesterday to $100m on the back of strong demand. The fixed interest Eurodollar bond market was otherwise lacklustre and prices were unchanged in quiet trading.

The selling period for the BFCE bonds is being shortened, according to lead-manager Credit Suisse First Boston. The bonds, which carry two warrants each and a 16 per cent coupon, were quoted at a bid price of 99¾ against an issue price of par in pre-market trading.

A $50m seven-year Eurobond is being arranged privately for Showa Denko, the Japanese chemicals group. The issue bears a 16 per cent coupon with principal and coupon payments covered on the forward foreign exchange market.

The issue, priced at par, has been led by Citicorp. The currency swap involves a spot market conversion from dollars to yen and forward coverage for seven years in dollars. This, says Citicorp, reduces the borrower's effective interest cost in terms of yen to 8 per cent.

A $25m floating rate note for Oesterreichische Volksbanken is expected today. The eight-year notes will bear interest at ¼ per cent over the six-month London interbank rates with a minimum coupon of 5¼ per cent. London and Continental Bankers will be the lead manager.

D-mark foreign bond prices edged up by ¼ of a point in thin trading after the New York domestic bond market improved at the opening. Westdeutsche Landesbank announced the terms of the scheduled DM 100m new issue for the Mortgage Bank of Denmark. The bonds mature in 1991, carry a coupon of 10¾ per cent, and the price will be fixed on Wednesday.

A SwFr 50m 10-year public issue was launched for Heron International Finance BV through Banque Keyser Ullman en Suisse. The bonds carry a coupon of 8½ per cent and an issue price of 99.

The primary market for private placements in Switzerland was re-opened after an absence of about two weeks with a SwFr 50m five-year issue for the European Investment Bank through Union Bank of Switzerland. The coupon was set at 8½ per cent and the issue price is par.

Seasoned issues on the Swiss franc secondary market shed ¼ of a point on average although the recent World Bank issue — 8 per cent to 1991 — was quoted at 100¾ against its issue price of 99½, on its first day of trading.

The City of Montreal is raising a 25m European Unit of Account seven-year issue of 13¼ per cent bonds. Lead manager Kredietbank International Group will price the issue on October 28.

$500m loan for Korea to carry finest terms

BY ANN CHARTERS IN SEOUL

THE KOREA Development Bank has chosen Citibank as the agent for a $500m syndicated loan to be raised at the finest rates the Koreans have obtained.

Mr Choi Dong-Ik, director of the KDB's foreign capital department indicated that the official mandate will be issued shortly for the loan, which is to run for eight years with a four-year grace period at a margin of ¼ a point over London inter-bank offered rate (Libor) for the first four years and ⅜ of a point over Libor for the remainder.

An earlier $700m loan to the Korea Exchange Bank (KEB) signed in July carried a margin of ⅜ of a point over Libor for eight years with a grace period of four years. That was the lowest rate obtained by a Korean bank on a major long-term international loan.

Two months ago, when the KDB started sounding out the market with Asian-based merchant banks, the bank had not expected to be able to improve on the rate won by KEB, said Mr Choi. However, with GNP growth now projected to reach 7 per cent this year, up 1 per cent from earlier estimates, and with inflation at 11.7 per cent at the end of August, the Korean economy had shown a recovery, which merited more confidence in financial markets.

Canada Cement to raise C$53m in rights issue

By Robert Gibbens in Montreal

CANADA CEMENT Lafarge, the country's largest cement manufacturer, is raising C$53m (U.S.$44m) in new equity through a rights issue. Proceeds will help finance its U.S.$325m acquisition of General Portland of Dallas, Texas, one of the largest cement companies in the U.S.

Canada Cement, controlled by Lafarge Coppee of France, is offering one new common share at C$11.50 for every four shares held. It had been trading in the C$11 to C$11½ range in the past few days.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday November 11. Closing prices on October 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 15¾ 86	75	95½	96⅞	−0⅛	+0⅞	16.25
CIBC 16⅜ 91	100	98⅛	99⅛	−0¼	+1	16.94
CNA 15½ 95	75	91½	92	+0½	+2⅛	16.74
CNE 12¾ 91	100	80¾	81½	+0½	−0⅛	16.93
Citicorp Int. Fin. 15 86	150	96¾	97¼	+0¼	+1⅜	15.58
Citicorp O/S 15½ 84	175	99¾	100¼	+0⅛	+0⅜	15.44
Cities Service 17 88	150	103¼	103¾	0	+0¼	16.10
Con. Illinois 14⅞ 84	100	96⅞	97⅜	+0⅛	+1½	16.14
CPC Fin. 16¾ 86	50	103	103½	+0⅛	+1⅞	15.72
EEC 14½ 88	65	91⅛	91⅝	+0⅛	+1⅜	15.38
EIB 15½ 88	100	98¾	99¼	+0⅛	+0⅝	16.73
Fed. Bus. D. 15⅞ 84 (J)	40	98⅞	99⅜	−0⅛	+0¾	16.05
Finland Rep. of 9½ 86	100	77¾	78¼	−0⅛	+0¾	16.90
Ford Cr. O/S Fin. 13 84	150	99¾	99⅞	+0⅛	+0¾	16.06
Ford Cr. O/S Fin. 15 85	150	98¼	98¾	0	+0¾	16.48
GMAC O/S Fin. 15½ 88	100	86⅛	86¾	−0⅛	+1¼	16.46
GMAC O/S Fin. 14¾ 87	100	93	93½	+0⅛	+0¼	16.60
Gulf States O/S 17½ 88	80	101	101½	−0¼	+1	17.17
Hiram Walker 16 86	50	97⅝	98⅛	+0¼	+0½	16.60
IBM Wld. Trade 14⅜ 84	100	101	101½	+0⅛	+1	14.06
IBM Wld. Trade 14½ 85	80	100½	101	+0⅛	+1	14.42
Nat. Bk. Canada 15½ 84	40	97⅞	98⅜	+0⅛	+0½	16.05
New Brunswick 17 88	60	101⅞	102⅜	−0⅛	+1¼	16.52
Newfoundland 17⅛ 89	60	103½	104	+0⅛	+0⅛	16.35
Nova Scotia 15 91	75	92¾	93¼	0	+0⅛	16.47
Pacific Gas Elec. 16 88	75	100⅛	100⅝	−0⅛	+0⅛	15.88
PSNH Int. Fin. 17 86	30	99¾	100¼	+0⅛	+0⅛	16.94
Royal Bk. Canada 14 86	100	95⅞	96⅜	+0⅛	+1⅛	15.75
SNCF 13 91	75	82⅛	82⅝	−0⅛	+0⅛	16.87
Shell Canada 15⅜ 91	100	98¾	99¼	−0⅛	+1⅛	15.37
Sth. California 14 87	50	93¾	94¼	+0⅛	+0⅛	15.68
Sth. California 14⅞ 83	50	93¾	94¼	+0⅛	+1⅛	16.76
Swed. Ex. Credit 13 85	75	88⅛	88⅝	−0⅛	+0⅛	16.99
Swed. Ex. Cred. 15⅜ 85	50	96⅛	96⅝	+0⅛	+1⅛	16.72
Tenneco Int. 17 89	100	102⅜	102⅞	+0⅛	+1⅛	16.43
Toronto-Dom. Bk. 14 84	50	95⅛	95⅝	0	+0⅛	16.13
Transcanada 17⅛ 88	75	103⅛	103⅝	+0⅛	+1⅛	16.90
Walt Disney 15½ 86	100	99⅛	99⅝	+0⅛	+1⅛	15.91
Wells Fargo Int. 15½ 84	50	99⅞	100⅜	+0⅛	+0⅛	15.32
Winnipeg 17 86	50	100⅛	100⅝	0	−0⅛	15.84
World Bank 14⅛ 85	500	93⅛	93⅝	0	+0⅛	16.35
World Bank 16 86	210	97⅝	98⅛	−0⅛	+0⅛	15.27
World Bank 15 88	80	96⅛	96⅝	+0⅛	+1	15.74
World Bank 16½ 86	130	99⅝	100⅛	+0⅛	+1⅛	16.45
World Bank 16½ 88	100	99⅛	99⅝	+0⅛	−1	16.65

Average price changes On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	150	97¼	98⅛	−0⅛	+0⅛	10.35
Austria Rep. of 8¾ 92	150	87⅞	88½	0	+0⅛	10.15
CECA 7⅞ 92	150	85½	86⅛	+0⅛	−0⅛	10.06
CECA 10 91	120	99	100	−0⅛	−1⅛	10.07
CII-Honeywell 8⅜ 90	125	87¾	88¼	+0⅛	+1⅛	10.47
Council of Europe 10 91	100	97⅞	98⅜	−0⅛	−0⅛	10.38
EIB 8½ 90	200	89½	90⅛	+0⅛	+0⅛	10.25
EIB 10½ 91	200	100⅝	101⅛	−0⅛	−0⅛	10.31
FSCOM 9½ 87	100	91⅛	91⅞	0	+0⅛	11.26
Finland Rep. of 10 89	100	97½	98	[illegible]	[illegible]	[illegible]
Iberduero SA 9 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Finland 8½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am. Dev. Bk. 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air Lines 8½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. 7½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kobe, City of 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 8½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 8½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 8½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela R. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elat. de France [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franc. Petroles [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Amer. Dv. Bk [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC [illegible] CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. [illegible] CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC (Can.) [illegible] CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. [illegible] CS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	79½	80¼	−0⅛	−0⅛	12.57
SOFTE 8½ 89 EUA	40	74¾	76	0	0	13.68
U. Bk. Nwy. 9½ 90 EUA	16	81½	82½	0	−0⅛	13.11
Algemene Bk. 10½ 86 Fl	60	93⅞	94⅜	+0⅛	+0¼	12.01
Amro Bank 12 86 Fl	75	99¾	100¼	+0⅛	−0⅛	12.00
Heineken NV 10 87 Fl	100	92¾	93¼	+0⅛	+1⅛	11.72
Nat. Nedrlndn. 10 88 Fl	60	93⅞	94⅜	0	+0⅛	11.33
Ned. Midd. Bk. 10 85 Fl	75	95¼	95¾	0	+0⅛	11.48
Pierson 10½ 86 Fl	50	93	93½	−0⅛	−0⅛	12.29
Rabobank 12 86 Fl	50	100	100½	+0⅛	+0⅛	11.88
Air France 14½ 86 FFr	200	90¾	91¼	−0⅛	+0⅞	17.36
Bk. America 14½ 86 FFr	250	90⅞	91⅞	0	+1	17.30
Charb'nages 13⅞ 85 FFr	400	90¼	91¼	+0⅛	+1⅛	17.10
EIB 14½ 88 FFr	300	86	87	+0¼	+1	17.83
La Redoute 14¼ 85 FFr	125	88½	89½	0	+2	18.29
OKB 14 86 FFr	400	90½	91½	+0⅛	+2⅛	17.02
Solvay et C. 14¾ 86 FFr	200	89⅝	90⅝	0	+0⅜	18.08
Swed. E. Cr. 14¾ 86 FFr	250	88¾	89⅞	0	+1⅛	18.37
U. Mex. Sts. 14 85 FFr	150	90⅞	91⅞	0	+1⅛	17.40
Acona 14 85 £	20	89⅝	90⅝	−0⅛	+0⅛	17.51
Beneficial 14½ 90 £	20	81⅞	81⅞	−0⅛	+1⅛	18.58
BNP 13½ 91 £	15	83¼	84	+0⅛	+0⅜	17.10
CECA 13½ 88 £	20	86	86⅞	+1⅛	+1	16.96
Citicorp O/S 13½ 90 £	50	86⅞	87½	−0⅛	+1⅛	16.49
Fin. Ex. Cred. 13¾ 86 £	15	90	90¾	0	+1⅛	16.90
Gen. Elec. Co. 12½ 89 £	50	84⅛	85	−0⅛	+1⅛	16.15
Hiram Walker 14¼ 86 £	25	91⅛	92½	−0⅞	+1	16.92
Privatbanken 14½ 88 £	12	90	91¼	+1⅞	+1⅞	16.91
J. Rothschild 14¼ 90 £	12	89	89¾	+0⅛	+0⅜	16.58
Royal Trustco 14 85 £	12	90⅞	91⅞	−0⅛	+0⅝	16.90
Swed. Ex. Cr. 13¾ 86 £	20	89⅝	90⅝	−0⅛	+0⅛	17.06
Akzo 9½ 87 LuxFr	500	84⅞	85⅞	0	0	12.88
Euratom 9¼ 88 LuxFr	500	86½	87½	0	0	12.88
Eurofima 10½ 87 LuxFr	500	88¼	89¼	0	+0⅛	13.33
EIB 9¼ 88 LuxFr	600	84	85	0	−0⅛	13.54
Volvo 9½ 87 LuxFr	500	83½	84½	0	+0⅛	13.65

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅛	99⅝	18/12	16¾	16.85
BBL Int. 5 86	0¼	99⅞	100⅜	20/11	18.31	18.34
BNP 5½ 88	‡0⅛	99½	100	29/10	18.81	18.86
Christiana Bk 5¼ 91	‡0⅛	98⅞	99⅜	5/11	19.19	19.38
Co-Ban Eurofin 5½ 91	0¼	98⅞	99⅜	14/4	16.69	16.90
Co-operative Bk. 6 86	0¼	99⅜	99⅞	15/11	19.56	19.66
Den Norske Credit 6 90	‡0⅛	99⅛	99⅝	5/11	19.19	19.31
Genfinance 5¼ 87	0¼	99⅛	99⅞	30/10	16.94	17.00
Genfinance 5⅞ 92	0⅛	99½	100	30/12	18.31	18.36
Giro und Bank 5¼ 91	‡0⅛	99⅜	99⅞	23/12	17½	17.57
GZB 5¼ 92	‡0⅛	98⅞	99⅜	5/12	17¼	17.40
Ind. Bank Japan 5¼ 88	0¼	99½	100	9/4	16⅝	16.67
Lloyds Eurofin 8 90 £	0¼	96½	97½	8/1	13⅝	14.08
Lloyds Eurofin 5¼ 92	0¼	99	99½	4/12	17.44	17.57
Lloyds Eurofin 5¼ 93	0¼	98½	99¼	29/10	5¼	5.31
LTCB Japan 5¼ 86	0¼	99¾	100¼	13/12	17⅛	17.25
LTCB Japan 5½ 83	0⅛	99⅜	99⅞	16/1	18.32	18.39
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅝	100⅛	30/11	19⅜	19.38
Midland Int. Fin. 5¼ 92	0¼	98⅞	99⅜	6/12	17⅜	17.46
Midland Int. Fin. 6 91	0¼	98⅞	99⅜	30/10	16.81	16.98
Nacional Fin. 5½ 88	0¼	98	98½	25/3	17.51	17.82
Nat. Bk. Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Societe Generale [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sparebanken [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Handelsbk [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bow Valley Inv. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daiwa Secs. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furukawa Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hitachi Cred. Corp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kawasaki [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta Camera [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Chemi-C. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sanyo Electric [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

Japan studying problems of offshore banking centre

BY RICHARD C. HANSON IN TOKYO

JAPAN'S MINISTRY of Finance is researching the problems confronting the formation of an offshore banking centre along the lines of the one due to start up in New York, according to Mr Michio Watanabe, the Minister.

The Finance Minister did not mention any specific time frame for such a centre in Tokyo, but listed the merits for Japan of allowing an offshore money market to be established.

In an interview he said a Tokyo market would serve to channel investment funds from elsewhere into Asia; provide a geographically less risk source of foreign currencies for Japanese banks; and further strengthen the Tokyo financial community's international capabilities.

The demerits, he said, would be the possible spillover-effects a free-wheeling international market could have on Japan's still fairly rigidly administered domestic credit markets. Changes would also have to be made in the tax law to exempt offshore funds from Japanese withholding tax.

Within the Ministry, the idea of actually going ahead with an offshore centre is still met with caution. But that it has officials investigating how to cope with the problems such a market would create can be considered a first step in what will probably be a long process. Drafting and passing tax legislation could take a couple of years from the time a consensus was formed on going ahead.

In recent years discussions of Japan's potential as an international financial centre has varied from support to opposition. However, official interest in the subject appears to have been increased by the U.S. authorisation for an offshore banking centre in New York from December. Japan is paying close attention to developments in New York.

The pressure for Japan to create a market has come primarily from commercial bankers. But the recently published final report of a prestigious Japan-U.S. Economic Relations Group, prepared for the leaders of Japan and the U.S. specifically recommended that Japan consider the creation of an offshore market in yen.

Generali and Aetna in link on insurance

By James Buxton in Rome

ITALY'S BIGGEST insurance company, Assicurazioni Generali, has formed a joint venture with a U.S. and a Japanese insurance company to provide damage insurance cover to U.S. concerns operating overseas.

The new company, which will be called Aegen International and be based in New York, will be 45 per cent owned by Generali. A further 45 per cent will be owned by Aetna Casualty and Surety, a subsidiary, the largest non-mutual insurance company in the U.S., Aetna Life and Casualty and the remaining 10 per cent by Taisho Marine and Fire of Tokyo, which ranks third in the non-life insurance field in Japan.

The operation will be able to draw on Generali's extensive presence in Europe and other parts of the world, including Latin America and Aetna's North American presence and Taisho's Far East and South-East Asian activities.

For Generali the new company should also enable it to strengthen its position in the U.S., where it has been becoming increasingly involved. It also expects to gain sophisticated technological know-how from the operation.

● Farmitalia Carlo Erba, the pharmaceutical division of the Montedison chemical group, is expected to triple profit to about L50bn ($42m), this year from L16.13bn in 1980. Consolidated turnover is seen reaching L650bn with 60 per cent of the total deriving from exports and sales of foreign subsidiaries. The average 25 per cent drop in the value of the lira against the dollar was cited as one of the main factors boosting sales.

Swedish paper losses spark row

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

A HEAVY and unexpected setback for ASSI, the Swedish State-owned forest products group, has triggered angry exchanges between the Ministry of Industry and Statsföretag, the State holding company, and could lead to a re-organisation oft he State's forest and paper manufacturing interests.

ASSI posted a Skr 10.9m pre-tax profit on sales of SKr 3.47bn ($637m) last year after running up losses for several years during which the management undertook a rationalisation programme.

For this year the company had warned that the business recession would return it to the red, but both Statsföretag and the Ministry were plainly surprised by the disclosure earlier this month that the 1981 loss could be as high as SKr 500m.

Mr Nils Aasling, the Industry Minister, has begun to complain about the failure of Statsföretag's reporting system, while the holding company itself has revived a plan for merging ASSI's operations with those of Domänverket,t the State forest company.

ASSI, unlike many of its privately owned competitors, possesses no forests of its own and no hydro-electric power plants, which provide useful cash flow. It is Sweden's biggest saw mill operator and runs three divisions—building materials, paper products and packaging materials.

Its packaging business has subsidiaries in West Germany, the UK, Denmark and Switzerland and is the most profitable sector of the group.

The present profit setback is attributed mainly to the collapse of the building market both in Sweden and elsewhere in Europe and to the increase—in Krona terms—in indebtedness and interest charges caused by the rise in the dollar exchange rate.

Of this year's anticipated SKr 500m loss, some SKr 190m would be unrealised losses caused by the increase in weight of dollar borrowings. ASSI's net interest charges last year totalled SKr 268m. They are expected to come close to SKr 400m this year.

Bofors shows decline in interim profit

By Our Stockholm Staff

BOFORS, THE Swedish armaments and chemicals group, recorded pre-tax earnings of SKr 97m ($12.9m) for the first eight months of this year, a SKr 37m decline on sales ahead to SKr 2.24bn ($414m) from SKr 2.16bn.

For the full year Bofors has maintained its March forecast of a downturn in earnings to about SKr 200m from the SKr 251m achieved in 1980. The expected decline is again chiefly attributed to lower deliveries of defence materials.

Consolidated turnover is forecast to amount to SKr 3.6bn for 1981 as a whole against SKr 3.8bn, which is also blamed on lower defence sales.

Downturn in earnings at Stora Kopparberg

BY WESTERLY CHRISTNER IN STOCKHOLM

THE SWEDISH forest products group, Stora Kopparberg, reports lower pre-tax profits of SKr 299m ($55.3m) for the first eight months of this year, against SKr 374m.

The figures are struck after a currency exchange loss of SKr 18m, compared with SKr 8m. Sales rose to SKr 2.95bn from SKr 2.59bn, and orders received for pulp and paper during the period corresponded roughly to manufacturing capacity.

The general business climate in Europe has "begun to worsen," however, and for 1981 as a whole Stora expects earnings to decline by around SKr 150m from last year's SKr 600m, including extra-ordinary items.

The expected decrease is attributed to slackening demand and currency losses, despite the "positive impact" of the recent devaluation of the krona and changes in value of some other European currencies.

Group capital spending totalled SKr 320m during the eight months against SKr 218m. Stora plans to invest some SKr 1bn over the next three years, expanding its paper making capacity while it is shedding steel interests.

● Holmens Bruk, the forest products group, which is Europe's biggest newsprint manufacturer and the dominant producer of magazine paper in Sweden, recorded pre-tax earnings of SKr 58m ($10.7m) during the first eight months of this year, against SKr 63m.

Group sales gained slightly to SKr 1.51bn ($279m) against SKr 1.33bn. Net financial charges fell by SKr 4m to SKr 51m.

German Shell and BP cut capacity

BY SUE CAMERON, CHEMICALS CORRESPONDENT

DEUTSCHE SHELL and Deutsche BP have reached agreement on a deal that will allow both of them to cut capacity and costs substantially in their troubled oil refining businesses.

Deutsche Shell is to shut its 2.8m tonnes a year refinery at Ingolstadt in West Germany with the net loss of around 150 jobs in the second half of next year. But the company has signed a 12-year contract with Deutsche BP under which it will take 2.4m tonnes a year of refined products from BP's refining units at the nearby Vohburg-Eriag complex.

The deal is part of a general move by the European refining industry to cut its capacity in the face of drastically reduced demand and falling profitability.

The BP group, which announced the closure of its 10.5m tonnes a year Isle of Grain refinery in southern England in the summer, warned in August that it planned to shut a further 15m tonnes of its 100m tonnes European refining capacity. The group said at the time it was losing money on its European refining operations at the rate of £1m a day.

Deutsche BP has already cut its West German refining capacity from 24m tonnes in 1979 to 21m tonnes and it is to sell or close a further 2m tonnes at Speyer. The new deal with Shell will enable it to shed a further 2.4m tonnes at Vohburg-Eriag, bringing its total capacity there down to 4.6m tonnes. By the end of next year Deutsche BP plans to have a mere 14m to 15m tonnes of refining capacity in West Germany, while Shell will have capacity of 13.8m tonnes after its closure.

West Germany's total refinery capacity is around 150m tonnes but the major oil companies say that at least 25 per cent of this needs to be permanently shut.

Strong yen hits earnings at Honda

BY YOKO SHIBATA IN TOKYO

HONDA MOTORS reports a substantial drop in consolidated earnings in the first half of its fiscal year to end-August despite higher turnover, mostly because of the negative effects of the yen's appreciation. On the other hand, parent company non-consolidated operating profits and net profits were a record.

Consolidated net profits plunged by 51.2 per cent to Y23.33bn ($123.95m) on consolidated sales of Y973.35bn, up 11.2 per cent compared with the corresponding previous period. Consolidated per share profits were Y38.42, compared with Y81.30. Results of 77 subsidiaries were consolidated and earnings of 118 subsidiaries and affiliates were also reflected in the consolidated returns.

Domestic sales contributed 26.9 per cent (up 23.2 per cent) to total turnover and overseas sales 73.1 per cent (up 7.3 per cent).

Unit sales of motorcycle rose 13 per cent to 1,797,000 units, yielding a 6 per cent rise in value sales, representing 27.4 per cent of the total turnover. Car unit sales rose by 16.3 per cent to 543,000 units, yielding a 9.9 per cent gain in value sales to account for 54.4 per cent of the total turnover.

However, the yen's appreciation squeezed the overseas value sales considerably. For example, motorcycle sales in value rose only by 0.2 per cent despite a 10.9 per cent growth in unit sales, and overseas car sales rose in value by 9.2 per cent against a 13.9 per cent rise in unit sales.

Although the Japanese domestic motor market stood still during the half-year, Honda increased its domestic sales of motorcycles and cars by 28 per cent and 12.6 per cent respectively.

Because of the company's high dependency on overseas businesses, Honda was hit badly by the fluctuation of foreign exchange rates, in particular in European currencies.

Meanwhile, Honda's non-consolidated operating profits for the half year reached a record Y28.7bn, up 6.3 per cent. Non-consolidated net profits also reached a record Y16.04bn, up 5.5 per cent, on sales up 17.2 per cent to Y746.79bn. Per share profits on a non-consolidated basis were Y21.75, against Y22.97.

The company gave a full year forecast on a non-consolidated basis. It sees motorcycle sales at 3,652,000 units, up 15.8 per cent from the previous year, with domestic sales of 1,200,000 units (up 20.6 per cent) and overseas sales of 2,452,000 units (up 17.9 per cent).

Car sales are targeted at 1,051,000 units, up 8.4 per cent. Strong domestic sales (340,000 units, up 25 per cent) are expected to cover slower exports (711,000 units, up 1.9 per cent), resulting from the U.S. and European import restrictions.

Non-consolidated operating profits for the full year ending February 1982 are expected to reach Y57.5bn up 15 per cent.

Nomura sets up fund in US. T-bills

By Our Financial Staff

NOMURA SECURITIES said yesterday that it plans to market in Japan a fund based primarily on short-term U.S. Treasury bills. The Japanese Finance Ministry has authorised Nomura to open this new investment fund in mid-November.

The fund, to be called the Inter-Securities Fund, will be denominated in U.S. dollars. It will be operated by Inter-Securities Fund Management Company, a Luxembourg-based unit of Deutsche Bank, Societe Generale and Nomura Europe.

Nomura said that preliminary plans call for a fund totalling $50m, composed of about 80 per cent of short-term Treasury bills and 20 per cent of short-term dollar deposits. The minimum required investment will be Y500,000 ($2,185).

State acts in Union Wine row

BY JOHN STEWART IN CAPE TOWN

IN AN unprecedented move to resolve a commercial dispute over shares bought on the Johannesburg Stock Exchange, Dr David de Villiers, the South African Minister of Industries and Commerce, yesterday authorise the seller of the shares, Union Wine, to transfer and register the shares in the name of the buyer, Central Merchant Bank, on condition that the latter disposes of the stock "within a reasonable period."

This is the latest, and presumably final twist in the extraordinary series of events which started last March when the share price of Union Wine, a modest wine and spirit House, was chased up from 200 cents to 1,900 cents in a few hectic days of trading.

According to the best information at the time, the buyer was Cape Wine and Distillers (CWD), whose managing director, Mr Gysbert Steyn, issued a press release disclosing that the company had attempted to obtain 25 per cent of Union Wine's ordinaries to protect a pre-emptive right held by CWD to buy control of Union Wine.

The purpose of obtaining 25 per cent in Union Wine was to block a proposed Scheme of Arrangement between Union Wine and Kirsh Industries interests whereby the latter would take a 49 per cent interest in Union Wine in what promised to be the initial move in a plan to set up the largest liquor distributive network in the country.

CWD's attempt to block the deal aroused a good deal of adverse comment in view of the fact that Union Wine has barely 8 per cent of the South African wine and spirits market, whereas Cape Wine has nearly 90 per cent. As it turned out, the bid failed because Central Merchant Bank, the agency used to buy Union Wine shares, managed to secure only 943,538 shares (22.8 per cent).

Earlier this month, Union Wine refused to grant transfer of the shares because it did not wish to risk contravention of the Liquor Act. The essence of the relevant section of the Act makes it an offence for a producer to acquire an interest in a business which owns liquor retail licences. Union Wine owns a national chain of liquor stores.

Central Merchant insisted that it was the buyer and the owner of the shares but Union Wine demanded confirmation from the Minister of Industries and Commerce. This authority has now been given.

A surprising element of the Minister's press statement yesterday is his admission that he was informed by Cape Wine in March that the company had concluded an arrangement with Central Merchant to buy Union Wine stock to achieve "a complete division between the wholesale and retail trade."

Cape Wine apparently told the Minister at the time that if it succeeded in securing Union Wine it would dispose of the latter's retail stores. This seems to mean that the Minister sanctioned an operation that was not strictly legal because in the light of yesterday's statement he was in no doubt who the owner of the Union Wine shares would be, although there seems to have been an informal understanding with the Minister that the Union Wine liquor shops would be sold off and that this would make the deal legal again.

Conzinc Asia buys Rollei Singapore

By Graeme Johnson in Sydney

CONZINC ASIA Holdings, the south-east Asian subsidiary of CRA, the Australian mining and metals group, has expanded its downstream aluminium processing operations with the purchase of the aluminium diecasting division of Rollei Singapore for an undisclosed sum. Rollei Singapore went into receivership early in July after its affiliate, the West German camera company, itself decided to go into liquidation.

The purchase will expand further the company's aluminium diecasting interests in the region. A programme will start for a high-technology aluminium and zinc-casting service to the computer, data processing, consumer goods, electronics, aerospace and petroleum service industries.

Swan Brewery first half profit up 58%

By Our Sydney Correspondent

SWAN BREWERY, control of which is being sought by Mr Alan Bond, increased first half earnings by 58 per cent to A$4.16m (US$4.8m) and has easily overtaken its profit predictions. The directors of West Australia's sole brewery, however, have warned that the growth is likely to flatten in the present half, and the full year result would be more in line with projections.

After last month's announcement of a "personal" takeover bid worth A$121.16m by Mr Bond, Swan Brewery forecast that earnings would grow at an annual average rate of 30 per cent and the dividend by 12.5 per cent.

TOUGHER TIMES AT HOME

Dutch insurers look abroad

BY CHARLES BAYCHELOR IN AMSTERDAM

THE GOLDEN age of expansion for Dutch insurance companies abroad is not yet over, though the days when foreign companies were there for the picking are definitely past. Tough competition for the well-run and profitable insurance company has created an international sellers' market.

Foreign managements, too, are less inclined to welcome a Dutch suitor. The opposition encountered by AGO to its bid for a majority stake in Life Investors of the U.S. illustrates the changed mood. Life Investors, of Cedar Rapids, Iowa, has fought AGO through the insurance commissioner of its home state, as well as in five state and district courts. The commissioner and the courts all ruled in AGO's favour, though an appeal is pending to a federal court in Minnesota.

AGO had built up a 42 per cent holding in Life Investors at a cost of $148m over the past three years with the full agreement of the U.S. company's management. But when it announced plans last month to acquire another 1.5m shares for $51m, taking its holding to 56 per cent, this proved too much for Life Investors' management. The shareholders are in favour, however, and have offered 2m shares in response to AGO's bid.

AGO, with Fl 647m ($278m) worth of life premium income and Fl 535m of non-life income, is the fifth largest Dutch insurance group. Life Investors, which had 1980 turnover of $295m, is AGO's first foreign venture and is seen as the stepping stone to further growth in the U.S., including new acquisitions.

A mutual group, unlike the top three Dutch insurance companies which are quoted on the *Amsterdam Stock Exchange*, AGO had maintained a low profile until the Life Investors bid. It now emerges that it had been very active behind the scenes. During the course of the battle for Life Investors, it revealed it had built up holdings of 15 per cent in Ennia and 13 per cent in Amfas, two other large insurance groups. Voting rights in these companies are limited, however, and AGO says these holdings are simply investments.

Ennia, the third largest Dutch insurer with premium income of Fl 1.57bn ($649m), is also breaking new ground with a $144m bid for National Old Line Insurance Company of Little Rock, Arkansas, which had 1980 turnover of $73m. But the bid ran up against complaints from a small group of shareholders, claiming that they had been discriminated against.

Opposition arose because Ennia bid only $26.75 for each non-voting "B" share, compared with its offer of $80 for voting "A" shares. The non-voting shareholders demanded a bigger slice of the total bid, and new terms have now been agreed.

Ennia is a late starter in the field of foreign acquisitions. It had been looking for a foreign partner for several years but had been unable to find a company which matched its ideal.

Nationale-Nederlanden, the largest Dutch group, with 1980 premium income of Fl 6.1bn, is a veteran in this field. In the largest acquisition yet carried out by a Dutch insurer, it bought Life of Georgia insurance group of Atlanta, Georgia, in 1979 for $330m.

But even Nat-Ned ran into opposition when last May it offered A$46m (U.S.$52.8m) for a half-share in Mercantile Mutual Holdings of Sydney, a company with A$135m turnover. It had to fight off rival bids from two Australian companies, QBE Insurance, part of the Burns Philp trading group, and FAI Insurances. The Dutch group was forced reluctantly to add A$2m to its offer before victory was achieved.

Foreign premium income now accounts for a substantial part of the business of the large Dutch insurers. Nat-Ned books half its premium income outside the Nederlands, while Ennia depends for 22 per cent on foreign income. Amev, the second largest insurer with premium income of Fl 2.2bn, does 45 per cent of its business abroad, much of it through Interfinancial Insurance group of Atlanta, Georgia.

The small home market is the major reason for the Dutch insurers' move abroad; Nat-Ned recently calculated that 61 life and 828 non-life companies are fighting for the business of 14m Dutchmen. A decade of steady profits growth has meant that finding the cash was no problem, although times are getting harder.

FOREIGN ACQUISITIONS BY DUTCH INSURANCE COMPANIES

Company	Foreign company	Price paid	Year
AGO*	Life Investors (U.S.)	$199m	1979-81
Ennia*	Old Line (U.S.)	$144m	1981
Nat-Ned	Mercantile Mutual (Australia)	A$48m (50%)	1981
Amev	Interfinancial Insurance (U.S.)	$134m	1980
Nat-Ned	Life of Georgia (U.S.)	$330m	1979

* Pending

U.S. QUARTERLIES

AMERICAN HOSPITAL SUPPLY

Third quarter	1981 $	1980 $
Revenue	713.3m	609.7m
Net profits	33.7m	32.6m
Net per share	0.81	0.77
Nine month		
Revenue	2.06bn	1.75bn
Net profits	101.9m	91.1m
Net per share	2.43	2.19

CHAMPION INT.

Third quarter	1981 $	1980 $
Revenue	1bn	956.2m
Net profits	24.6m	47.1m
Net per share	0.38	0.84
Nine months		
Revenue	3.08bn	2.79bn
Net profits	100.6m	124.2m
Net per share	1.61	2.22

CROWN ZELLERBACH

Third quarter	1981 $	1980 $
Revenue	790m	787.3m
Net profits	7m	9m
Net per share	0.15	0.29
Nine months		
Net profits	46m	62m
Net per share	1.49	2.19

ELI LILLY

Third quarter	1981 $	1980 $
Revenue	623.8m	601.6m
Net profits	79m	75.4m
Net per share	1.04	1.00
Nine months		
Revenue	2.06bn	1.92bn
Net profits	280.5m	260.5m
Net per share	3.68	3.45

FIRST BANCORP OF TEXAS

Third quarter	1981 $	1980 $
Operating profits	33.5m	22.1m
Operating share	1.11	0.83
Nine months		
Net profits	96.6m	63.8m
Net per share	3.26	2.43

HERCULES

Third quarter	1981 $	1980 $
Revenue	690m	582m
Net profits	27m	22.3m
Net per share	0.62	0.51
Nine months		
Revenue	2.07bn	1.86bn
Net profits	95.1m	82.9m
Net per share	2.18	1.89

E. F. HUTTON

Third quarter	1981 $	1980 $
Revenue	345m	259.5m
Net profits	11m	18m
Net per share	0.62	1.08
Nine months		
Revenue	1.03bn	812m
Net profits	55.2m	59.3m
Net per share	3.03	3.59

MCI COMMUNICATIONS

Third quarter	1981 $	1980 $
Revenue	115m	52.7m
Net profits	15.4m	4.1m
Net per share	0.31	0.05
Nine months		
Revenue	201m	100.8m
Net profits	25.1m	8.1m
Net per share	0.51	0.10

NORTH AMERICAN PHILIPS

Third quarter	1981 $	1980 $
Revenue	782.9m	553.5m
Net profits	28.6m	14.4m
Net per share	2.08	1.10
Nine months		
Revenue	2.2bn	1.6bn
Net per share	5.73	3.59

OLIN

Third quarter	$ 1981	$ 1980
Revenue	489.9m	432.1m
Net profits	17.7m	12.1m
Net per share	0.74	0.51
Nine months		
Net profits	79.1m	61.4m
Net per share	3.29	2.56

TELEDYNE

Third quarter	1981 $	1980 $
Revenue	808.9m	643.1m
Net profits	101.8m	77.2m
Net per share	4.93	3.73
Nine months		
Net profits	319.8m	263.1m
Net per share	15.48	11.34

TIME INC

Third quarter	1981 $	1980 $
Revenue	808.5m	677.6m
Net profits	19.6m	33m
Net per share	0.32	0.59
Nine months		
Revenue	2.38bn	2bn
Net profits	95.7m	102m
Net per share	1.57	1.82

COMPAGNIE FINANCIÈRE DE SUEZ

The following is the text of a letter from Monsieur Philippe Malet, Chairman of Compagnie Financière de Suez, which was sent to shareholders in September:

"It is customary at this time of the year for your Chairman to give you a report on our Company's progress during the first half of the financial year. I am able to tell you that the trend of our current figures has been satisfactory.

But in present circumstances, the possible consequences for the Company and for yourself of the plans for nationalisation are what concern you most. I have, I assure you, devoted all my energies towards advocating in Government circles the solutions which, bearing in mind the aims set by the Authorities themselves, seem likely to limit as much as possible the inevitable consequences of the measures which will be taken as far as your own interests are concerned and also those of our Company's staff, of our partners and, more generally, the French and foreign organisations which, in one way or another, have links with our Group.

It is also evident from the many questions put to my colleagues and myself that you wish to form yourselves into an association capable of taking action in any eventuality. I therefore feel it my duty to inform you collectively of the existence of such an association, 'SUEZ-ACTION;' its Chairman is Mr Watteau and its address: 7 rue Murillo, 75008 Paris."

CURRENCIES, MONEY and GOLD

Dollar improves

The dollar rose in the last half hour of trading in London yesterday to finish at its best level of the day and up from Wednesday's closing levels. In a featureless market trading was influenced to a large extent by interest rate movements and a slight hardening of U.S. rates towards the end of the day prompted renewed dollar demand.

Sterling suffered as a result of the dollar's late improvement but came back against European currencies from lower levels seen earlier in the day to finish firmer overall.

The French franc returned to the top of the European Monetary System, narrowly displacing the Danish krone. A further fall in French domestic rates appeared to have little effect on the franc. The D-mark remained the weakest currency in generally featureless trading.

DOLLAR — trade weighted index (Bank of England) was 107.4 against 107.5. Against the D-mark the dollar closed at DM 2.2290, having been as low as DM 2.1980 at one point and compared with Wednesday's close of DM 2.2320. Similarly against the Swiss franc it finished at SwFr 1.8675 from SwFr 1.8625 and Y230.5 from Y228.6 against the Japanese yen. The Bank of England's dollar index failed to take into account the dollar's late improvement.

STERLING — trade-weighted index (Bank of England) rose to 88.3 from 88.2, having stood at 88.1 at noon and 88.3 in the morning. Against the dollar sterling opened at $1.8600 and reached a best level of $1.8690 before coming back to around $1.8600. It traded close to this level for much of the afternoon until late dollar demand pushed sterling to a low $1.8475. It closed at $1.8490-1.8510, a fall of 30 points. Against the D-mark, however, it rose to DM 4.1250 from DM 4.1200 and SwFr 3.4575 from SwFr 3.4525. It was also up against the French at FFr 10.3450 compared with FFr 10.3400.

D-MARK—No longer strongest member of the European Monetary System following the recent currency realignment. However the 5.5 per cent revaluation of the German unit has only reinforced market sentiment that the D-mark has been undervalued against its EMS partners for some time. The underlying strength of the D-mark has allowed the authorities to cut the special Lombard rate by one point—There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 2.2067, down from DM 2.275 on Wednesday. Trading was rather quiet in the absence of any fresh news to affect the market. The level of business was also curtailed ahead of today's U.S. money supply figures while a lower tendency in Euro-dollar rates was also a depressing factor. Sterling fell to DM 4.1100 from DM 4.1250 while the Swiss franc was fixed higher at DM 1.1955 from DM 1.1927. Within the EMS the French franc slipped to DM 39.53 per FFr 100 from DM 39.88.

FRENCH FRANC—The recent EMS reshuffle which resulted in a devaluation of the French franc has helped to remove upward pressure on French interest rates. Domestic money market rates have been cut and Euro French franc rates have also declined. Current D-mark weakness should keep economic fundamentals in the background for the time being while the market reacts primarily to interest rate movements — The French franc was mostly firmer after yesterday's fixing in Paris. The dollar slipped to FFr 5.5375 from FFr 5.5905 and EMS member currencies showed an overall decline. The one notable exception was the D-mark which rose marginally to FFr 2.5096 from FFr 2.5090.

THE DOLLAR SPOT AND FORWARD

Oct 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8475-1.8690	1.8490-1.8510	0.07c pm-0.03 dis	0.13	0.13-0.23dis	−0.39
Ireland†	1.5960-1.6070	1.5960-1.6000	0.90-0.80c pm	6.35	1.75-1.60 pm	4.17
Canada	1.1988-1.2002	1.1998-1.2002	0.34-0.38c dis	−3.65	0.76-0.81dis	−2.62
Nethlnd.	2.4340-2.4610	2.4550-2.4600	0.65-0.55c pm	2.95	2.15-2.05 pm	3.44
Belgium	36.80-37.45	37.41-37.43	10-18c dis	−4.54	36-44 dis	−4.33
Denmark	7.0900-7.1700	7.1300-7.1400	0.80-1.05ore dis	−1.56	1.75-2.25dis	−1.13
W. Ger.	2.1980-2.2350	2.2285-2.2295	0.85-0.80pf pm	4.44	2.60-2.60 pm	4.72
Portugal	63.58-64.20	63.80-64.10	50-210c dis	−24.51	70-350 dis	−13.20
Spain	94.00-94.80	94.75-94.90	7-15c dis	−1.40	25-45 dis	−1.48
Italy	1,175-1,188	1,186-1,188	5½-7 lire dis	−6.38	17-20 dis	−6.25
Norway	5.8900-5.9225	5.8900-5.9000	1.00-0.60ore pm	1.64	3.50-3.10 pm	2.25
France	5.5250-5.6025	5.5925-5.5975	1-1½c dis	−2.71	3-4 dis	−2.53
Sweden	5.4650-5.5075	5.4900-5.5000	1.50-1.30ore pm	3.07	5.35-5.15 pm	3.84
Japan	228.25-230.75	230.45-230.65	1.75-1.60y pm	8.72	4.85-4.70 pm	8.29
Austria	15.42-15.60	15.55½-15.56½	5.90-4.40gro pm	4.00	13½-9½ pm	3.04
Switz.	1.8425-1.8725	1.8670-1.8680	0.82-0.72c pm	4.95	2.60-2.50 pm	5.46

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct. 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8475-1.8690	1.8490-1.8510	0.07c pm-0.03 dis	0.13	0.13-0.23dis	−0.39
Canada	2.2170-2.2400	2.2190-2.2210	0.55-0.65c dis	−3.27	1.55-1.75dis	−2.97
Nethlnd.	4.52-4.57	4.55½-4.56½	1¼-1c pm	2.63	3½-3¼ pm	2.96
Belgium	68.65-69.40	69.15-69.25	15-25c dis	−3.47	75-90 dis	−4.77
Denmark	13.19-13.27	13.24-13.26½	1-2½ore dis	−1.41	4½-6 dis	−1.58
Ireland	1.1560-1.1595	1.1585-1.1605	0.02-0.73p dis	−0.85	1.52-1.68dis	−4.81
W. Ger.	4.10-4.14	4.12-4.13	1½-1½pf pm	4.73	4½-4¼ pm	4.36
Portugal	117.50-119.00	118.00-118.40	85-395c dis	−24.36	140-675dis	−13.79
Spain	174.90-175.90	175.15-175.35	5-25c dis	−1.03	65-100 dis	−1.86
Italy	2,186-2,197	2,195-2,197	8-11 lire dis	−5.19	34-38 dis	−6.56
Norway	10.91-10.99	10.94½-10.95½	2¼-1ore pm	1.78	5⅞-4⅝ pm	1.92
France	10.29-10.36	10.34-10.35	1-2c dis	−1.74	8-7½ dis	−2.61
Sweden	10.17-10.21	10.18-10.19	3¼-2¼ore pm	3.24	8½-7½ pm	3.14
Japan	423-430	426-427	3.30-3.10y pm	9.00	8.75-8.45 pm	8.06
Austria	28.65-28.90	28.65-28.70	12-7gro pm	3.97	24½-14½ pm	2.72
Switz	3.42½-3.47½	3.45½-3.46½	1⅝-1⅛c pm	4.77	4½-3⅞ pm	4.77

Belgian rate is for convertible francs. Financial franc 75.45-75.55. Six-month forward dollar 0.45-0.55c dis, 12-month 1.00-1.20c dis.

CURRENCY MOVEMENTS

Oct. 15	Bank of England Index	Morgan Guaranty Changes%
Sterling	88.3	unavail
U.S. dollar	107.4	"
Canadian dollar	87.5	"
Austrian schilling	119.3	"
Belgian franc	107.5	"
Danish kroner	89.8	"
Deutsche mark	124.0	"
Swiss franc	148.7	"
Guilder	115.0	"
French franc	82.8	"
Lira	56.6	"
Yen	137.7	"

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Oct. 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.625604	0.590652
U.S. $	14	1.16987	1.09212
Canadian $	18.95	1.39312	1.31289
Austria Sch.	6¾	16.0777	17.0589
Belgian F.	13	43.2458	40.8397
Danish K.	11	8.29597	7.83320
D mark	7½	2.58361	2.43651
Guilder	9	2.85096	2.69043
French Fr.	9½	6.48425	6.11421
Lira	19	1375.03	1295.25
Yen	6¼	265.958	250.095
Norwgn. Kr.	9	6.81134	6.43529
Spanish Pta.	8	110.189	103.915
Swedish Kr.	12	6.36450	6.01101
Swiss Fr.	6	2.16722	2.04444
Greek Dr'ch.	20½	—	61.3059

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU October 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	40.7711	+0.03	+0.03	±1.5368
Danish Krone	7.91117	7.83180	−1.00	−1.00	±1.6412
German D-Mark	2.40989	2.43301	+0.96	+0.96	±1.1077
French Franc	6.17443	6.10931	−1.05	−1.05	±1.3733
Dutch Guilder	2.66382	2.68807	+0.91	+0.91	±1.5063
Irish Punt	0.684452	0.687735	+0.48	+0.48	±1.6688
Italian Lire	1300.67	1297.94	−0.21	−0.21	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for October 15 ...... 0.593474

OTHER CURRENCIES

Oct. 15	£	$		£ Note Rates
Argentina Peso	11,178-11,198†	5997-6017†	Austria	28.65-29.95
Australia Dollar	1.6160-1.6200	0.8715-0.8720	Belgium	75.00-76.00
Brazil Cruzeiro	205.06-206.06	110.12-110.67	Denmark	13.16-13.31
Finland Markka	8.100-8.113	4.3575-4.3625	France	10.27-10.43
Greek Drachma	102.062-105.166	55.45-55.65	Germany	4.08¼-4.13¼
Hong Kong Dollar	11.17¼-11.19¼	6.0050-6.0100	Italy	2140-2245
Iran Rial	146.50*	79.20*	Japan	426-431
Kuwait Dinar (KD)	0.522-0.528	0.2812-0.2815	Netherlands	4.50¾-4.55¾
Luxembourg Fr.	69.15-69.25	37.41-37.43	Norway	10.89-11.04
Malaysia Dollar	4.2375-4.2475	2.2775-2.2795	Portugal	116-128
New Zealand Dlr.	2.2400-2.2450	1.2070-1.2080	Spain	172¾-184¾
Saudi Arab. Riyal	6.38-6.44	3.4150-3.4180	Sweden	10.15-10.25
Singapore Dollar	3.8675-3.8775	2.0800-2.0820	Switzerland	3.41¼-3.45¼
Sth. African Rand	1.7530-1.7545	0.9475-0.9485	United States	1.85½-1.87½
U.A.E. Dirham	6.83-6.89	3.6700-3.6750	Yugoslavia	79½-82½

† Rate given for Argentina is the commercial rate. The financial rate for sterling 15,308-15,329 and for the dollar 8,200-8,250. *Selling rate.

EXCHANGE CROSS RATES

Oct. 15	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.850	4.125	426.5	10.345	3.458	4.558	2196.	2.220	69.20
U.S. Dollar	0.541	1.	2.230	230.5	5.592	1.869	2.464	1187.	1.200	37.41
Deutschemark	0.242	0.448	1.	103.4	2.508	0.838	1.105	532.4	0.538	16.78
Japanese Yen 1,000	2.345	4.338	9.672	1000.	24.26	8.107	10.69	5149.	5.205	162.3
French Franc 10	0.967	1.788	3.987	402.3	10	3.342	4.406	2123.	2.146	66.89
Swiss Franc	0.289	0.535	1.193	123.4	2.992	1.	1.318	635.1	0.642	20.01
Dutch Guilder	0.219	0.406	0.905	93.58	2.270	0.759	1.	481.8	0.487	15.18
Italian Lira 1,000	0.455	0.842	1.878	194.2	4.711	1.574	2.075	1000.	1.011	31.51
Canadian Dollar	0.450	0.833	1.858	192.1	4.660	1.557	2.053	989.2	1.	31.17
Belgian Franc 100	1.445	2.673	5.961	616.3	14.95	4.996	6.586	3173.	3.208	100

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 15)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 1/16	offer 16 3/16	bid 16 1/4	offer 16 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Oct. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15½-15⅝	16-16¼	19-20	12½-12¾	8-9	10⅝-10⅞	16⅞-17½	17-19	12-16	6¼-6½
7 days' notice	15⅝-15⅞	15⅞-15⅞	19-20	12½-12¾	7¾-8¼	10⅝-11⅛	16¾-17½	19-21½	15½-16½	6⅜-6⅝
Month	15¾-15⅞	15⅞-15⅞	18⅞-19¼	12½-12⅝	10½-10⅝	11-11⅛	17-17¾	19¾-22	19-20	6⅞-7⅛
Three months	15⅞-15⅞	15⅞-16⅛	18⅞-19¼	12½-12⅝	10½-10⅝	11⅛-11¼	18-18¾	21¾-25¼	20¼-20¾	7⅜-7⅝
Six months	15⅞-15⅞	16⅛-16⅛	18⅞-19¼	12¼-13⅜	10⅛-10⅛	11⅛-11⅛	18¾-19½	23-24	19½-20	7⅜-7⅝
One Year	15⅝-15¾	16¼-16½	18⅛-18¼	12-12⅛	9⅛-9⅛	10⅛-11⅛	18¾-19½	22¾-24¼	17½-18½	7⅝-8⅛

SDR linked deposits: one-month 13⅞-13⅞ per cent; three months 14⅛-14½ per cent; six months 14⅛-14⅜ per cent; one-year 14⅛-14⅞ per cent.

ECU linked deposits: one-month 14¼-14⅝ per cent; three-months 14⅞-15⅛ per cent; six-months 14⅞-15⅛ per cent; one-year 14⅞-15 per cent.

Asian $ (closing rates in Singapore): one-month 15⅞-15⅞ per cent; three-months 16-16⅛ per cent; six-months 16⅛-16⅛ per cent; one-year 16⅛-16⅛ per cent. Long-term Euro-dollar two-years 16-16¼ per cent; three-years 16⅛-16⅜ per cent; four years 16⅛-16½ per cent; five years 16⅛-16⅝ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 15.20-15.30 per cent; three-months 15.50-15.60 per cent; six-months 15.75-15.85 per cent; one year 15.75-15.85 per cent.

MONEY MARKETS

Revised forecast

London clearing banks base lending rates 15½ per cent (since October 15)

The Bank of England gave an early forecast of a flat day in the London money market yesterday although some had expected a shortage. Such feelings were borne out later in the day when the Bank revised its forecast to one of a £100m shortage. Among the main factors given as affecting the market were Exchequer transactions +£30m and eligible bills maturing in official hands −£70m. The Bank gave no assistance during the morning but arranged a repurchase agreement in the afternoon on £100m of bills at 15-15⅛ per cent, unwinding on October 23.

Discount houses were paying up to 15¾ per cent for secured call loans but after the Bank had given assistance funds were taken as low as 12 per cent. In the interbank market overnight money traded at 15½-15¾ per cent for much of the day before drifting away to 10 per cent. Period rates showed a slightly firmer tendency in places but the yield curve remained nearly flat, reflecting in part a general feeling of unease in the market and for the time being a temporary lack of motivation. Yesterday's banking figures continued to show distortions due to the civil service strike but were hardly inspiring and added generally to current market uncertainty.

In Paris the Bank of France reduced its money market intervention rate to 16½ per cent from 16¾ per cent, the second reduction this week. On Monday the rate had been cut from 17¾ per cent to 16¾ per cent. The Bank intervened in the market at the new rate by buying around FFr 10bn of first category paper thereby injecting liquidity into the system. Rates have fallen quite sharply since the currency realignment within the European Monetary System. Before the French franc was devalued the intervention rate stood at 17¾ per cent and call money was 18¼ per cent compared with yesterday's rate of 17 per cent. Longer term rates were also lower from Wednesday. One-month money slipped to 16½ per cent from 16⅞ per cent and six-month to 15⅞ per cent from 15¾ per cent.

In New York Chase Manhattan Bank reduced its prime rate to 18 per cent from 18½ per cent, so that all major banks now have 18 per cent prime rates. In the money market Federal funds were trading at 15¼-15½ per cent slightly down from 15½-15¾ per cent earlier and around 16¼ per cent Wednesday.

GOLD

Trading dull

Gold was unchanged from Wednesday's close in the London bullion market yesterday, finishing at $443½-445½. It opened at $447-448 and in the absence of any new factors to influence trading, remained within a very narrow band. It was fixed in the morning at $446.85 and $446.65 in the afternoon.

In Paris the 12½ kilo bar was fixed at FFr 83,700 per kilo ($470.12 per ounce) in the afternoon compared with FFr 84,500 ($474.62) in the morning and FFr 84,000 ($467.34) on Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,800 per kilo ($448.03 per ounce) against DM 31,845 ($445.27) previously and closed at $444-445 from $443½-$444½.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $447 from $445.25.

In Zurich gold finished at $444-447 from $443-446.

	Oct. 15		Oct. 14	
Gold Bullion (fine ounce)				
Close	$443½-445½	(£238½-239¾)	$443½-445½	(£238¾-239¾)
Opening	$447-448	(£239½-240)	$445-447	(£240¼-241¼)
Morning fixing	$446.85	(£240.048)	$445.25	(£239.639)
Afternoon fixing	$446.65	(£240.005)	$444.25	(£239.876)
Gold Coins				
Krugerrand	$457-459	(£246¾-247)	$459-460	(£247½-248)
1/2 Krugerrand	$234-237	(£125¾-127½)	$236-237	(£127¼-127¾)
1/4 Krugerrand	$119-122	(£64-65½)	$120¼-121¼	(£64¾-65½)
1/10 Krugerrand	$48-51	(£25¾-27½)	$49-50	(£26½-27)
Mapleleaf	$457-459	(£245¾-247)	$459-462	(£247½-249)
New Sovereigns	$108-110	(£58-59)	$108-109	(£58¼-58¾)
King Sovereigns	$123-125	(£66¼-67¼)	$122-124	(£65½-66½)
Victoria Sovs	$123-125	(£66¼-67¼)	$122-124	(£65½-66½)
French 20s	$134-138	(£72½-74½)	$134-138	(£72¼-74½)
50 pesos Mexico	$550-553	(£297¼-299)	$551-555	(£297¼-299¼)
100 Cor. Austria	$430-433	(£232½-234)	$431-434	(£232½-234)
$20 Eagles	$596-601	(£322-324¾)	$595-605	(£321-323½)

LONDON MONEY RATES

Oct. 15 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-15¾	15½-15¾	—	—	14½-16	12-15½	—	—	—
2 days notice	—	—	15¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15⅝-15⅞	15¾	—	15¾	15⅞-16¼	15-15⅝	—	—	—
One month	15¾-15⅝	15⅞-15⅞	15¾	16¼-15⅞	15⅞	16	16¼-15⅝	15⅞	15⅞	16⅛
Two months	15¾-15⅝	15⅞-15⅞	—	16⅛-15⅞	15⅞	16	16⅛	15⅛-15¼	15¼	15¾
Three months	15¾-15⅝	15⅞-15⅞	15¾	16⅛-15⅞	15⅞	16	15	14⅞-15	15-15⅛	15⅞
Six months	15¾-15⅝	15⅝-15¾	15⅝	15¼-15	15¾	—	—	—	14⅞-14⅝	15⅛
Nine months	15¾-15⅝	15⅞-15¾	—	15¾-15⅝	15¾	—	—	—	—	—
One year	15¾-15⅝	15½-15¾	15⅛	15½-15⅛	15¾	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authorities and finance seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15¾ per cent; four years 15¾ per cent; five-years 15¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅞-15 per cent; four-month trade bills 15⅞ per cent.

Approximate selling rate for one-month Treasury bills 15⅞ per cent; two-months 15-15⅛ per cent; three-months 14¾-14⅞ per cent. Approximate selling rate for one-month bank bills 15⅞-15⅞ per cent; two-months 15⅞ per cent; and three-months 14⅞ per cent; one-month trade bills 15⅞ per cent; two-months 15⅞ per cent; three-months 15⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from October 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 15½ per cent. Treasury Bills: Average tender rates of discount 14.8066 per cent.

MONEY RATES

NEW YORK

Prime rate	18
Fed. funds	15¼-15½
Treasury bills (13-week)	13.20
Treasury bills (26-week)	13.48

GERMANY

Special Lombard	11.0
Overnight rate	11.05
One month	11.40
Three months	11.00
Six months	11.325

FRANCE

Intervention rate	16.5
Overnight rate	17.0
One month	16.5
Three months	16.0625
Six months	15.3125

JAPAN

Discount rate	6.25
Call (unconditional)	7.0625
Bill discount (three-month)	7.40625

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 14, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

[illegible]

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—Floating rate fixed daily by Central Bank of Egypt for Importers, Exporters, Tourists.
(4) Argentina: June 22 Two Tier Policy Adopted. Commercial: Fixed by Central Bank of Argentina and Exporters.
(5) Argentina: Financial allowed a clean float. (6) Somali: Parallel exchange rates introduced July 1—for essential imports.
(7) Somali: Exports and Non-Essential Imports and Transfers.
(7) Somali: Exports and Non-Essential Imports and Transfers. (8) Mauritius—devalued 20 per cent as of 28/9/81.

COMPANY NOTICES

LECTURES

ART GALLERIES

TECHNOLOGY

EDITED BY ALAN CANE

Target selection is key to success in biotechnology

BY DAVID FISHLOCK, SCIENCE EDITOR

PICKING good targets is going to be the key to commercial success in biotechnology, says Dr Charles Reece, group research director of ICI. Get your targets wrong and you will end up with some heavy capital investments—for biotechnology is a fiddly capital-intensive—and novel products the market will not pay for.

Dr Reece recalls the "orphan drug" problems. These are the drugs for which there is a demand but which society will not pay to have developed and tested, because too few people need them, or because the sick live in far-away countries.

It may well be possible to make human growth hormone by biotechnology. But will British society cover the cost of increasing the height of a few hundred people? He believes that investors have got to be patient while the scientists sort out good commercial targets from bad ones.

The evidence from the animal health business is certainly not promising. Worldwide, animal health products are none-too-profitable, even though many farm animal diseases are natural targets for biotechnology.

"It's hard to find strong economic arguments to sell vaccines to farmers," says Dr Reece. "People will pay more for pet health than farm animal health."

ICI's commitment to the biosciences cannot be doubted. About £70m, one-third of a group research budget of about

Dr Charles Reece, ICI's director of research: We're going to see a lot of surprises in agriculture

£200m, is being spent in this sector.

But focusing the minds of its scientific management wonderfully is the long shadow of a £40m-plus fermenter at Billingham. It was built by ICI's Agricultural Division to demonstrate on a commercial scale the manufacture of a single-cell protein called Pruteen from bacteria by continuous fermentation.

"Pruteen has taught us an awful lot," Dr Reece acknowledges. "Where it is taking us is still debatable." But they are still learning. So far ICI has refused all requests to license its Pruteen technology.

ICI learned early on not to do simple chemistry by biotechnology. Originally, its scientists planned to use methane as feedstock. But the company already had a highly efficient chemical route from methane to methanol.

Making methanol—or, for that matter, any fuel alcohol—by biotechnology is still a popular target with many companies. But ICI claims that it has not heard of a process that is anywhere near competitive with the cost of its chemical route. Not least of the problems is protection of the continuous fermenter against explosion hazards.

It also learned early on that the microbe on which it was pinning its hopes was a weakling. "If you shouted at them, they died."

It found out that the fermenter in which an organism would breed continuously and contentedly had to be tailored very specifically to its idiosyncrasies. Change the microbe and you were back to the drawing board.

Any idea of just popping a new microbe into the Pruteen plant, much less switching it to a different product, raises a bitter laugh. Moreover, it learned that in order to achieve and sustain the highly sterile condition needed to keep it contented, the engineers had virtually to hang a second chemical processing plant on to the fermenter.

The over-riding problem for Pruteen—and for the many processes making single-cell protein from hydrocarbon feedstocks which were abandoned during the 1970s—is that it is competing with soya. The price of soya today is much more stable than when the research began, while the cost of the hydro-carbon feedstock has soared.

Can Pruteen somehow be forced up-market, to fetch a higher price as a premium product? ICI claims it has had encouraging signs from fish farming experiments, where Pruteen has shown "quite dramatic" effects, beyond anything chemical analysis of the product might suggest.

"I shall be very surprised if something doesn't come out of the food processing industry's needs that this type of product can match," Dr Reece says.

Nevertheless, he is wary of the strong public reaction to attempts by industry to introduce new kinds of food. New flavours rather than foods may be the answer.

What of the new techniques of genetic engineering have to offer in building upon ICI's hard-won experience of continuous fermentation? The company is spending more in genetic engineering than the annual budget of Celltech, Britain's new state-backed enterprise specialising in this area.

It has created an energy-saving microbe. By changing a single gene in the bacterium cultivated to make Pruteen, it can improve the bioconversion efficiency of methanol to protein by as much as 7 per cent in the laboratory. But the new microbe will need a new fermenter to breed in, and a new test programme to demonstrate safety of the protein.

Dr Reece eyes agriculture as an area of immense opportunity in the next two decades. "It offers more to the biologist than any other industry."

What excites him here is not the well-publicised idea of harvesting biomass but a fundamental improvement in living processes. Most cultivated plants today are living at the limits of their tolerance of stress. "Can we stretch those limits?"

ICI's corporate laboratory at Runcorn has been engaged in basic research for two or three years, using cereals as convenient models of a crop they would dearly love to stretch.

Dr Reece thinks that British universities are doing too little research in this area and is looking abroad—to national laboratories in Australia, for example—for more ideas.

"We're going to see a lot of surprises in agriculture. The ideal plant is one great big seed."

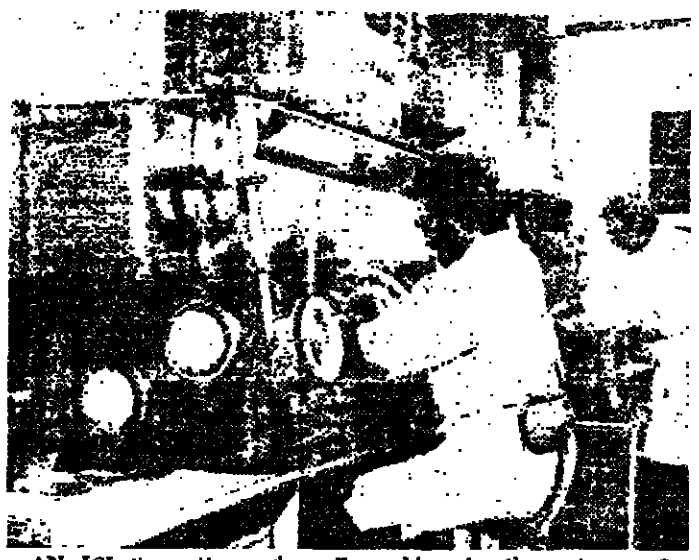
But pharmaceuticals offer a number of targets ICI finds promising. One is interferon, probably the most highly publicised quest of genetic engineering worldwide.

A token of the scientific effort ICI is putting into interferon is the paper published in Nature recently by a team of nine, drawn from three laboratories: ICI Pharmaceuticals Division, ICI Corporate Laboratory, Runcorn, and a jointly-owned ICI/university laboratory at Leicester University.

The paper described the synthesis of the longest man-made gene so far, 514 nucleotides long, probably the longest molecule ever synthesised.

Most exciting of all, the synthetic gene has been inserted by genetic engineering into a bacterium, from which the researchers were able to reproduce biologically active interferon.

Next week: Biogen.



AN ICI "genetic engineer" working in the category 3 containment laboratories at Runcorn.

Conty growers

ABOUT two years ago R. J. Engineering, of 48, Greenhey Place, East Gillibrands, Skelmersdale, Lancs., marketed a plant pot called the "Floppy." Now it has come up with the "Conty Pot" for the commercial grower. This is a continuous row of interlinked pots which can be filled in one row or separated in singles or lengths of any number. Interested nurserymen can obtain more information on 0695 27002.

Speed controller

A SMALL thyristor speed controller for DC motors up to ¼-hp, primarily designed for heavy industrial use, has been introduced by RMB Electro-Comp, Newbury House, London Road, Luton. More on 0582 26944.

Cancer drug 'device' could open up a new approach

RESEARCHERS IN oncology, the study of tumours, have for years been trying to achieve a way of treating types of cancer while improving the patient's life quality.

There have been formidable and gruesome obstacles to these interlinked goals: the toxic and subsequent side-effects of cytostatics, drugs which stop the growth cancer cells.

Now Fortia, a Swedish pharmaceuticals group, claims it has overcome both draw-backs with an aid to treatment called Spherex (registered as a trademark), which could open up a new approach to tumour treatment. It should help to focus the cytostatic drugs on the tumour, diminishing the risk to surrounding tissues.

Spherex works simply. The afflicted organ, say the liver, is injected with tiny, round beads of degradable starch, which act as a carrier for the anti-carrier drug. The starch is cross-linked to a degree that determines how quickly they will dissolve.

The beads become stuck in the smallest blood vessels in the liver, isolating it by temporarily stopping the flow of blood. At the same time, the drug goes to work on the cancerous cells in the liver without being introduced en masse into the patient's blood system. This reduces adverse side-effects and reduces the risk of the drug killing healthy cells.

The beads dissolve in a matter of minutes in the blood system, says Dr Birger Edselius, Vice-President of Medical Affairs and Research of Pharmacia, the division within Fortia encompassing pharmaceuticals, diagnostics and separation products.

"How much we are going to change cancer therapeutics we cannot say now. Basically, Spherex is a device but this should be expanded upon. It could mean using specific drugs for specific organs.

"Although it is a device, Spherex does have its own therapeutic value. It seems to cause tumour regression, hopefully making the tumour passive," Dr Edselius says.

Spherex is still very new. Clinical testing began only in 1979. So far it has been tested on some 45 liver cancer patients at the Malmö General Hospital in southern Sweden and the U.S.—with good results, he says.

Fortia believes that it could use the same kind of beads as a delivery system for other types of drug.

Inventor of Spherex is Ulf Rothman, a 38-year-old doctor at the hospital. He is an associate professor of surgery and approached Pharmacia with the idea. Previously, Dr Rothman invented a wound-cleaning preparation, known as Debrisan, for Pharmacia's pharmaceutical division.

Pharmacia expects to submit applications for Spherex both as a medical device and a drug to the U.S. Food and Drug Administration early next year, says Ragnvald Lindblom, Spherex project manager. In Canada, Spherex could be registered as a device.

"In the U.S. there is a shorter processing time for a device application, but probably Spherex will be classified as a drug by the FDA," says Mr Lindblom. It would be introduced to the U.S. market by mid-1983 if approval is obtained.

It is also hoped that the Spherex applications will be approved simultaneously in Canada and Scandinavia. It has already been patented in the U.S., Canada, France, the UK and Sweden.

The immediate potential for Spherex is very large indeed. About a quarter of a million patients with primary or secondary liver tumours could benefit. The company expects initially that it could reach between 5 and 10 per cent of the patients in these markets, depending on how effectively it is introduced.

Several companies are courting Pharmacia for the licence to market Spherex in the U.S. and Canada. A decision as to who wins, will be made near the end of this year, says Mr Lindblom.

Ultimately, Pharmacia wants to see other medical applications for Spherex, such as treatment of abscesses, and its use in microsurgery and radioprotection.

However, Dr Edselius says that premature hopes must not be raised concerning other applications for Spherex. As he says: "We are only scratching the surface."

WESTERLEY CHRISTNER

Woodburner for home heating

AN INTERESTING alternative to other room heating systems—particularly for householders with easy access to wood—is a new woodburning stove which can double up as a fireplace, says Strax Distribution, 41B Brecknock Road, London N7 (01-485 7056).

Made of cast iron, it has a large glass door which may be lifted and pushed under the top cover, thus providing an open fireplace producing about 3 kW or 10,000 Btu on wood.

When the door is closed, the Ulefos Stove 108 has its heat output increased to 6 kW or 20,000 Btu on wood and, used this way, it will continue to burn overnight.

Available ex-stock at £345, ex warehouse and exclusive of VAT.

Lion's Apples

LION MICROCOMPUTER of Tottenham Court Road, has bought up 250 of ITT's version of the Apple microcomputer.

It has turned these ITT 20/20s into word processors by adding a soft disc and Apple-writer software and is selling them at the knock-down price of £699.00 plus VAT.

The price does not include a printer and the computer uses a domestic television set (not supplied) as a screen, but it's still a bargain. Limited edition only. Inquiries to 01-580 7383.

Wheat storage

DEVELOPED BY Mr Shlomo Navarro of the Volcani Institute, Rehovot, Israel, is what is described as a cheap, innovative method for storing wheat in temporary structures.

Called the Uiorage Tent System, it promises to eliminate major wheat storage problems, such as insect damage and mould, as it is hermetic, thus depriving insects of oxygen.

Storage capacity of the tent is 1,000 tonnes. It costs about $2,500 and is re-usuable for three seasons.

WORLD STOCK MARKETS

Wall St mixed at 1pm

STOCKS were mixed at mid-session on Wall Street and analysts said the market appears to be consolidating.

The Dow Jones industrial average, which moved erratically all morning, was up 3.52 to $854.17 at 1 pm. Declines led advances, however, by seven to five on volume of 31m shares (29.1m). The NYSE All Common Index was up 0.26 at $69.23.

Mr Larry Wachtel, of Bache Halsey Stuart Shields, said: "The market is acting on its own internal dynamics rather than any outside news."

Analysts said, however, that the underlying factors affecting the market are still predominantly negative. These factors include poor third quarter corporate earnings and indications that a recession is looming.

Oil stocks were strong, led by Standard Oil Ohio which led the active list with about 1.3m shares traded and was up $2½ to $43⅛. A block of 744,900 shares traded at $44½.

Also higher was Northrop, up $2½ to ;42½. Industry sources said the rise may be because of rumours that it was selected as prime contractors for the Air Force's multi-billion dollar Stealth bomber project.

Filmways dropped $½ to $5 after reporting a larger third quarter loss. Signal, which fell $1½ on Wednesday on heavy volume, gained $1⅛ today to $23⅞ after reporting higher earnings.

THE AMERICAN SE Market Value Index was up 0.33 to 306.28 at 1 pm on volume of 2.7m shares (2.24m).

Five of the 14 indices advanced, led by Oil and Gas up 42.9 to 3,543.5 and Golds 38.9 to 3,681.1.

Canada Development Corp, which announced that a unit now holds 97 per cent of Aquitaine company of Canada, rose ⅛ to $11.

Canada

Stock prices were mixed at mid-session with oil and gold issues staging mild recoveries.

The Toronto Composite Index rose 0.9 to 1,893.0 at midday while losing issues edged advances 187 to 127. Volume was light at 2.02m shares.

Closing prices for North America were not available for this edition.

Tokyo

Share prices fell heavily with market sentiment dampened by sharp falls in New York and London, and the record high level of margin buying.

The Market Average lost 141.64 to close at 7,352.49. Many Blue Chips suffered severe setbacks.

Trading was slow on volume 220m shares. The Tokyo Stock Exchange Index fell 9.53 to 545.23.

This was the largest fall since September 28, when the average lost a record 302.84 after pessimistic predictions by Wall Street analyst Mr Joe Granville.

Light Electricals, Steels, Precisions, Motors and many other populars fell heavily. Sony was down Y250 to Y3,950, Hitachi Y29 to Y661, Sumitomo Metal Y9 to Y236, Toyota Motor Y80 to Y1,100 and Fuji Photo Y90 to Y1,220.

In spite of U.S. interest rate falls many investors are concerned about worsening U.S. economic conditions, which prompted foreign selling of Japanese big name companies, analysts said.

The sharp drop in Honda Motors' consolidated income announced yesterday also weakened market sentiment. Honda's shares fell Y23 to Y822.

Losses overwhelmed gains by 451 to 159. Buying orders declined sharply.

Hong Kong

Stocks closed easier but well above the day's lows with an early decline stemmed by local shortcoverings in the afternoon.

The Hang Seng Index lost 23.52 to 1,265.72, recovering from a fall of more than 53 earlier.

Brokers said they thought there could be a technical adjustment against the decline, and believed the index would be sustained above the 1,250 level.

Leaders rebounded in late trading. Cheung Kong finished 90 cents down at HK$20.80 and Jardine Matheson down 50 to HK$14.

Hong Kong Bank lost 70 cents to HK$13.80 and Hong Kong Wharf 5 to HK$5.65. Hong Kong Land declined 25 to HK$8.30.

Secondary issues ended unchanged to slightly easier.

Singapore

The stock market closed easier on some selling and profit-taking in moderate selective trading.

Among leading industrials and finances, Hong Leong Industries declined 50 cents to S$10.10, Central Sugars was off 30 to S$12.40, Sembawang Shipyard eased 26 to S$4.94 and Straits Trading weakened 25 to S$7.05.

The Straits Times industrial index eased 8.41 to 651.75.

Australia

Prices dropped across the board as the U.S. interest rate situation continued confused.

The All Ordinaries index was off 10.6 to 577.5. There were big falls in the Oil and Metal sectors but few areas of the market escaped unscathed.

Among the leaders, BHP was down 40 cents at A$10.55, CSR slid 18 cents to A$4.52, MIM lost 10 to A$3.65, Peko dropped 20 to A$6.30, WMC shed 15 to A$4.50 and Pancontinental was 20 off at A$2.25.

The Metals and Minerals Index fell 11.2 to 458.6, the Oil index was 26 off at 612 and the Industrials counter slid 3.8 points to 687.6.

Vamgas led the falls in the Oils with an 80 cents drop to A$10, Woodside retreated 9 to A$1.27, while Santos was 6 cents off at A$5.24.

News Corp was one of the few stocks to chalk up a substantial gain with a 20 cent rise to A$2.80 after news about profits.

Johannesburg

Gold shares closed easier as the bullion price eased slightly from its higher opening, but trading was slow.

Heavyweight gold producers were off as much as 150 cents—as in President Brand at R57. Medium and lightweight losses ranged between five and 75 cents.

Mining financials and other metals and minerals were generally mixed where changed. In Diamonds, De Beers was steady at R8.75. Johnnies added 100c at R90. Industrials closed mixed to firmer.

Germany

Share prices closed broadly lower in light trading as investors held back and banks marked their quotes lower.

The Commerzbank Index fell 2.9 to 691, while shares in nearly all sectors slipped. Banks were lower with Deutsche ending just off its day's low at 274.90, down DM 2.60 from Wednesday's close. Commerzbank was off two at DM 129 and Dresdner off four at DM 134.50.

In otherwise softer engineerings, Deutsche Babcock was up 1.50 to DM 184.50, but was down from its peak of DM 186. Metal producer Preussag ended up only 0.10 at DM 207.10, having traded as high at DM 212.

Major chemicals were at or near their day's low, as BASF shed 2 to DM 134.50. Reutgers, subject of speculative interest, hit DM 329 at the peak after opening at DM 317, but then fell back to DM 322, up only 2 from Wednesday.

Daimler fell in lower Cars to to DM 334, off five, and VW lost 2 to DM 127. Major Stores were unchanged in scant trading.

Thyssen eased 0.90 to DM 59.80 in narrowly mixed Steels.

Switzerland

Share prices closed mixed in moderately active trading in spite of Wednesday's weaker Wall Street close.

Share prices profited from a narrowly higher bond market and there was some foreign buying.

CANADA

Stock	Oct. 14	Oct. 13
AMCA Intl.	22¼	22⅝
Abitibi	20	20¼
Agnico Eagle	10¾	10⅝
Alcan Alumin	28¼	28⅞
Algoma Steel	44½	44⅜
Asbestos	34	35
Bk. Montreal	26	26½
Bk. Nova Scotia	25	25¼

BELGIUM (continued)

Oct. 15	Price Frs.	+ or —
Petrofina	3,885	—20
Royale Belge	4,000	
Soc Gen Banq.	1,620	+25
Soc Gen Belge	1,046	+166
Sofina	3,680	+40
Solvay	1,700	
Traction Elect	1,610	+5

HOLLAND

Oct. 15	Price Fls.	+ or —
AGF Holding	70.1	—0.9
Ahold	62.3	+0.3
AKZO	21.9	—0.3
ABN	286	—0.5
AMEV	89.6	—0.6
AMRO	53.5	—0.2
Bredero Cert	180	—5

AUSTRALIA

Oct. 15	Price Aust. $	+ or —
ANZ Group	5.06	—0.06
Acrow Aust	1.20	
Allstate Expl	0.90	
Ampol Pet	1.37	—0.01
Assoc. Pulp Pap	2.00	—0.05
Audimco	0.15	
Aust. Cons. Ind	1.86	—0.01
Aust. Guarant.	2.08	+0.02

JAPAN (continued)

Oct. 15	Price Yen	+ or —
Kubota	345	
Kumagai	378	
Kyoto Ceramic	5,200	—150
Lion	395	—6
Maeda Cons	531	—6
Makita	880	—1
Marubeni	320	—5
Marudai	550	+2

Indices

NEW YORK ACTIVE STOCKS

W. German cocoa use higher

By Our Commodities Staff

WEST GERMAN cocoa bean grindings in the third quarter of this year totalled 35,437 tonnes, up 7.6 per cent compared with the same period last year, according to figures published by the Confectionery Industry Association yesterday. The total for the first nine months of 1981 rose to 114,769 tonnes, 5.7 per cent more than in 1980.

But in the Netherlands imports of cocoa beans and cocoa bean products fell in the January-August period. The Central Statistics Office said Dutch cocoa bean imports fell to 109,600 tonnes compared with 120,200 in the first eight months of 1980. Cocoa butter imports were down from 13,900 to 5,800 tonnes and cocoa powder from 2,500 to 2,000.

UK third quarter grindings, due to be announced by the Ministry of Agriculture today, are expected to be more than 30 per cent higher than in the same quarter last year, cocoa traders said yesterday. They said this would reflect increased use of coca beans rather than products by the confectionery industry.

On the London futures market cocoa prices fell back a little following their recent rally. The March position, which had risen more than £60 a tonne in four trading days, finished £9 lower at £1,243.50 a tonne. Dealers said the German grindings figure was much as expected and had no market impact. But the talk of a large rise in UK bean usage had inhibited the decline, they said.

Mexico signs spice deal with Grenada

By Tony Cozier in Barbados

MEXICO has agreed to buy nutmeg and other spices from Grenada following discussions between Mexican President Jose Lopez Portillo and the Prime Minister of Grenada, Mr Maurice Bishop during Mr Bishop's recent visit to Mexico City.

Mr Bishop said in St George's, the Grenada capital, that Mexico would deposit the equivalent of East Caribbean $3m (£65,000) to purchase Grenada spices.

Grenada produces nutmeg, cloves, cinnamon and pimento but exports have dropped recently in light of competition from Indonesia.

Threat of tin producers cartel

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA WARNED yesterday that tin producing countries might have no choice but to form a cartel if consuming countries did not give adequate support to the sixth International Tin Agreement.

The agreement comes into effect in July 1982, and so far, only two countries — Malaysia and Indonesia, the world's two biggest producers — have ratified the pact.

The threat of a producers cartel was made by Datuk Musa Hitam, the Malaysian deputy prime minister, when he opened the 24th session of the International Tin Council meeting in Kuala Lumpur.

Datuk Musa's warning was aimed principally at the U.S., which has refused to join the next Tin Agreement.

Tin producers are aware that some tin consuming countries in the EEC and Japan already think that the agreement would be workable without U.S. participation, and fear that the U.S. might encourage this feeling.

The U.S. was not a member of the first four tin agreements.

Datuk Musa made an appeal to all tin consumers to continue the co-operation forged over the past 25 years with the producers, and stressed that the Tin Agreement was an outstanding example of producer-consumer co-operation in commodities.

He regretted that in recent years, meetings of the ITC had often resulted in discord among producers and consumers.

"It would be a retrogressive step if the U.S. attitude in any way weakens the resolve of other consuming countries to join the agreement," he said.

He added that if producers had to resort to their own cartel in the event of inadequate support by consumers for the sixth ITA, "the current U.S. attitude must surely be a contributory factor."

In Sydney Peko Wallsend said it will close its Tennant Creek copper smelter in Northern Territory next month because it is uneconomic at current world copper prices, reports Reuter.

The smelter will be put on an indefinite care and maintenance basis until there is sufficient improvement in prices to justify a resumption of smelting. Peko is also closing the Gecko mine at the site some 200 miles north of Alice Springs. Gecko produces mainly copper with very little gold and it too will be placed on a care and maintenance basis.

A further meeting between the management of Irish lead/zinc concentrates producer Tara Mines, striking craftsmen, and the Irish Congress of Trades Unions aimed at ending a 17 week old strike will be held next Wednesday.

The company was unable to report any progress following a meeting on Wednesday.

U.S. auction lifts silver

By Our Commodities Staff

SILVER PRICES moved up strongly in London yesterday morning encouraged by the level of demand at Wednesday's U.S. stockpile sale.

On the bullion market the spot price was fixed 16.3p higher at 520p per troy ounce and on the London Metals Exchange the three months price reached 546.50p an ounce, up 20p, at one stage. But on the LME, silver fell back in line with other metals during the afternoon and the three months quote closed only 5.25p up at 531.75 an ounce.

Dealers said some of the early demand was thought to represent spill-over from unsuccessful bids at the U.S. General Services Administration's stockpile auction. They were generally surprised at the buying response for U.S. stockpile silver, but at the same time somewhat disappointed at the relatively low volume of acceptable bids.

Only two out of the 26 bidders had been successful, buying only 160,000 ounces out of the 1.25m ounces on offer. Prices paid ranged between $9.331 and $9.41 an ounce against a spot market price which rose from $9.42 to $9.371 as the auction progressed.

In Australia meanwhile the new Sydney silver futures market got off to an active start with volume totalling 185 lots. That compared favourably with the 99 lots traded on the Sydney gold market's first day in 1978.

Higher grain trade seen

WASHINGTON—Prospects for world grain trade in 1981-82 continued to strengthen and are now forecast at 227m tonnes, 2m tonnes above last month's forecast, the U.S. Agriculture Department said.

The USDA said larger estimated imports for the Soviet Union accounted for most of the increase and more than half of the year-to-year growth. Trade in the current July-June year would be 14m tonnes more than in 1980-81.

World grain output is now forecast at 1.488m tonnes, down 2m from the September forecast reduction in the Soviet crop, cast mainly reflecting a further which more than offset an increase in U.S. coarse grain output.

However, world output would still be 56.0m tonnes above the 1980-81 output, the USDA said.

World grain usage is projected to decline to 1.467m tonnes, 3m tonnes below last month's forecast, mainly reflecting a drop in USSR usage.

The USDA said the adjustments in trade and consumption leave the world wheat and coarse grain stocks estimate next July 1 at 167.9m tonnes, slightly above last month's forecast and about level with the 1979-80 ending stocks.

● Grain exports at Canadian west coast ports set new records in August and September, the Canadian Wheat Board said.

August grain loadings at Vancouver and Prince Rupert totalled 925,100 tonnes in August and 983,600 tonnes in September, they said.

Those figures compare with the previous August grain export record of 787,000 tonnes in August 1980, and 831,000 in September 1972.

Reuter

Continued dairy surplus urged

Financial Times Reporter

EUROPE'S DAIRY farmers should be encouraged to go on producing surpluses of milk and dairy products, rather than eliminating them, Sir Stephen Roberts, chairman of the Milk Marketing Board, said yesterday.

"The output of any agricultural product can never be precisely controlled to match demand," he told the board's annual meeting in London.

The EEC was not overstocked with dairy products at present, he said. The famous "butter mountain" had disappeared and total stocks were 288,000 tonnes, which was about nine weeks' supply.

FARMER'S VIEWPOINT

An autumn of mud and misery

AFTER THE wettest September on record, and with the first half of October seeming to follow that example, farmers are anxiously hoping for better — that is drier — weather for the next few weeks.

There is much at risk. The most obvious are the sugar beet and potato harvests. Getting either out of wet or water-logged land is time consuming and wasteful. Soil sticks to the roots and means in the case of sugar beet that great quantities of dirt have to be carted to the factory to be washed off and the weight deducted.

The same applies to potatoes. Here some growers seem to be able to pass their soil on to the consumer. Wait for the complaints this autumn! I grow neither of these, but a good open autumn now would allow me to fulfill my sowing programme. This is becoming more important every year as the swing towards autumn sown crops is increasing.

A dozen years ago, little more than a third of my cereal acreage was autumn sown, and this was mainly wheat. Today the target is three-quarters and would be higher if I could arrange for it.

The reason for this is quite simply financial. The increased wheat acreage is because it is the best-yielding and most reliable crop, coupled with the gradual realisation that all the old rotation rules of not growing wheat more than once in a four-year rotation can be flouted, if not with impunity, with a fair chance of success.

The other change has been the switch from spring sown to autumn sown barley. Winter barley as it is commonly called, was under a cloud for many years on two counts: the varieties used were seldom very good yielders, and they were considered as carriers of disease from one season to the next.

Winter barley did not yield very well this year in the South of England and East Anglia, but I believe that this was more than likely due to the drought which persisted from the first week of June. This factor more than the incidence of fungal disease, must have reduced the potential of a crop which looked absolutely splendid during the early summer.

There was a big increase in disease, but even those farmers who drenched their crops with expensive chemicals came off little better than those who saved their money. This is not to denigrate chemicals but simply to point out that they are only one of several factors that make for a successful crop. There have been a multiplicity of inquests into what went wrong and a concensus has decided that apart from the drought, the very early sowing of some of last year's crop had left it more exposed than usual to attacks of disease in the autumn.

It is true that my latest sown crops of winter barley were by far the best, but th real reason for that I believe to be that the particular fields were more moisture retentive than the earlier ones, and so carried the crop through better.

The rain in September did not start to become a nuisance until after the middle of the month. Before that the land was very dry and hard, making cultivation difficult. This dryness prevented the waste grains from the previous crop from sprouting. This is an important point. Had I started sowing before these had sprouted, the next crop would have become infested with what are called "volunteers." These would have carried on the disease build up, and even worse contaminated the next crop.

This is a serious problem. In Schleswig, Holstein, where many of these modern techniques have been developed, contamination by winter barley is very serious.

The September rain sprouted the waste seeds and by the end of the month I had killed them off or ploughed them in and was ready to start sowing barley by October 1. But until early this week I was not able to plant a single acre. The fallows were to wet to fall apart into nice crumbly soil when the machinery touched them but would simply be stirred into a particularly stiff porridge in which the seeds would not grow at all.

I am not yet worried about the barley, as I hope there will surely be a let up before the end of the month. This would still give it time to germinate and establish a root system before the worst of the winter. It could also lessen the risks of diseases striking.

I have already heard that some of the early sown barley is being attacked by net blotch and brown rust. It's bad enough having to spray the crops during the spring when weather conditions should at least be reasonable. But to have to do it in the deteriorating weather of the typical autumn is no joke. Besides I always think a good frost is probably as good a cure as any.

Wheat is not so vulnerable to autumn diseases except one. This is called Barley yellow dwarf virus. It is apparently spread to wheat from affected barley plants by the bird cherry aphid during November. Early sowing facilitates this, as there are plenty of plants available to be infected. But if the wheat does not emerge until mid-November it cannot be affected. There is a spray to deal with this infection.

The trouble is that the bird cherry aphid is very small and can only be spotted by a farmer on his knees using a microscope. This applies equally to the early symptons of many other ills. At this time you may see in the fields of Britain kneeling figures on every side. They are not praying for better weather, but looking for trouble.

John Cherrington

World hunger and its solution

THIS IS world food day and the prophets of doom are busy predicting once again the extinction of the human race, which is galloping towards starvation because population is overtaking food production in the survival stakes.

This is hardly an original proposition. Dr Malthus was making similar noises two centuries ago and his latter day counterparts are making their life's work in places like the Food and Agriculture Organisation.

They have always been wrong. Except for times of war and natural disaster, food production has normally kept ahead of effective commercial demand. In fact, governments in many countries have spent more time devising means of limiting food production than they have stimulating it.

It is true that there are large areas of malnutrition, perhaps even starvation, but this is because no means has been found of overcoming the poverty which prevents the hungry millions securing food. This is not the fault of farmers, they will always, given the chance, go on turning out more and more.

Since 1950 world wheat production has risen from 160m tonnes to 454m tonnes, or nearly 200 per cent, while other cereals have risen almost as much in proportion. Yet the world's population has only grown on the period from 2.4bn to 4.5bn today a rise of about 90 per cent. The total output of wheat, maize and rice is now 1.5bn tonnes or nearly a kilo a day for every man woman and child on the globe.

Of course man does not live by bread alone, and much of the cereal production goes toward the animal sector. To feed grain to human beings through animal production is a wasteful process, and not necessarily in his own best interest.

Some years ago I compared the nutrition standards of New Zealand and Japan. The New Zealanders consumed 3,400 calorics a day of which more than 50 per cent was of animal origin. The Japanese ate a third less in calories of which 11 per cent was of animal origin. Perhaps the solution to the problems of Japanese imports would be to persuade them to change to a New Zealand type diet which would turn their minds to playing rugby football rather than making cars and TV sets.

The point about this is that the huge stocks of grain are perfectly adequate to sustain the world's population and form a reserve which could be used in emergency.

The crucial problem of world population is what to do with the growing numbers for whom there is little or no work. It is really a gynaecological problem. A start would be to make contraception as pleasant as conception, or even more so.

Poultry ban

BRUSSELS — The EEC mission has given Britain more time to lift an effective ban on most poultry imports before it faces legal action in the European Court of Justice.

New veterinary regulations for the control fo fowl pest have blocked imports of turkeys and chickens from France and most other EEC countries.

The Commission believes the British move was in breach of EEC free trade rules and originally gave Britain until the end of this week to lift the restrictions or face a law suit. This deadline has now been extended to October 30.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES came under renewed heavy selling pressure on the London Metal Exchange, reflecting overnight U.S. selling, the firmness of sterling and a further decline on Comex. Copper fell to the day's low of £918 in early pre-market trading before closing at £922.75, while Lead was finally £374, after £372 owing to general selling which unsettled stops. Zinc closed at £476, after £473, reflecting heavy U.S. and chartist liquidation. Aluminium and Nickel closed at £648.5 and £2,937.5 respectively. Tin was neglected and finally £8,362.5.

[illegible]

GAS OIL FUTURES

The market tested resistance levels before easing back. Towards the close prices rallied back to the highs and ended the day steady, reports Premier Man.

[illegible]

Turnover: 1,415 (1,095) lots of 100 tonnes.

GRAINS

[illegible]

COCOA

Futures were barely steady in further commission house and arbitrage selling caused prices to ease during a featureless day. Actuals business remained scarce, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

SILVER

Silver was fixed 16.3p an ounce higher for spot delivery in the London bullion market yesterday at 520p. U.S. cent equivalents of the fixing levels were: spot $9.691, up 36.6c; three-month $10.091, up 36.6c; six-month $10.433, up 36.4c; and 12-month $11.193, up 37.4c. The metal opened at 522-527p ($9.75-9.85) and closed at 511-516p ($9.5-9.6).

[illegible]

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg.

[illegible]

SOYABEAN MEAL

The market opened slightly easier in dull trading conditions, reports T. G. Roddick. Prices found some trade buying support at lower levels.

[illegible]

Sales: 79 (49) lots of 100 tonnes.

SUGAR

The market failed to sustain the overnight levels and remained on the defensive, reports C. Czarnikow.

[illegible]

COTTON

LIVERPOOL—No spot or shipment sales were registered. Absence of demand remained a feature, with a general unwillingness of users to operate at all freely even in the most usually sought qualities.

POTATOES

[illegible]

MEAT/VEGETABLES

[illegible]

RUBBER

The London physical market opened slightly easier, and attracted little interest throughout the day to close quiet. Lewis and Peat reported a fob price for No. 1 RSS in Kuala Lumpur of 222.5 (226.0) cents a kg and SMR 20 192.5 (195.0).

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, October 15

LACK OF BUYING turned early gains in precious metals into moderate losses. Adverse economic news continued to put pressure on copper prices. Sugar prices were sharply lower on a private crop estimate indicating a build-up in stocks. The livestock complex was mixed as hogs continued to run into resistance because of a steady country run at levels higher than expected. Cocoa was under pressure by commission house despite favourable ground figures. Heating oil advanced on rumours of a possible Saudi price increase, reported Heinold.

[illegible]

Wednesday's closing prices

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

FINANCIAL TIMES

Oct. 14	Oct. 13	Month ago	Year ago
263.04	263.74	258.15	278.51

(Base: July 1, 1952=100)

DOW JONES

Dow Jones	Oct. 14	Oct. 13	Month ago	Year ago
Spot	359.88	357.22	347.15	479.28
Fut	378.66	360.35	367.64	500.81

(Average 1924-25-26=100)

MOODY'S

Oct. 14	Oct. 13	Month ago	Year ago
1014.3	1012.5	1035.4	1326.1

(December 31, 1931=100)

REUTERS

Oct. 15	Oct. 14	M'nth ago	Year ago
1667.2	1677.5	1654.6	1765.0

(Base: September 18, 1931=100)

[illegible]

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £7.00-£9.70, codlings £4.00-£5.50; large haddock £5.00-£5.70, medium £4.00-£4.70, small £1.50-£2.70; best small plaice £3.20-£6.70; large skinned dogfish £12.00-£14.00, medium £9.50-£10.00; rockfish £3.50; saithe £2.40-£2.70.

Stock markets regain composure but underlying tone remains uncertain—Gilt-edged ease a shade further

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

* "New time" dealings may take place from 9.30 am two business days earlier.

London stock markets regained a little composure yesterday. The reassuring statement from Tube Investments, prompted by Wednesday's adverse rumours, helped to steady the equity market, but the underlying tone remained uncertain because of current fears about the future course of interest rates.

Wall Street's setback overnight tended to dampen enthusiasm at the start, but occasional bear closing in the early dealings saw leading industrials harden by a penny or so. Lack of follow-through support brought quotations back from the slightly enhanced levels, but a better tone developed in the afternoon and final prices were little changed on balance. Down 5 points more at the noon calculation, the FT 30-share index closed a net 0.8 up at 473.2. Trading was extremely slow, but leading Engineerings generally picked up a few pence and the Electrical majors regained 5 to 12 pence, the afternoon firmness being encouraged by Wall Street's steadier showing in yesterday's early business.

Of the index constituents, **Tubes** remained a nervous market, but closed 6 better at 98p, after 90p. Elsewhere, buying interest in Oils was stimulated by a revival of Middle East uncertainties.

Calmer conditions also prevailed in the Gilt-edged sector, but the trend was again to lower levels. Long-dated stocks drifted off further in quiet trading and settled with fresh falls of ¼. The money supply figures to mid-September were much in line with expectations and had little impact on sentiment. The new tap stock, **Treasury 15 per cent 1997**, which made its debut yesterday, closed at ½ discount on the minimum tender price of £95½, £25-paid. Short-dated issues also gave a little more ground after Wednesday's fairly sharp falls and the Government Securities index eased 0.12 for a three-day loss of 1½ per cent to 61.55.

Debt settlement hopes encouraged speculative interest in Chinese bonds, the 5 per cent 1913 stock closing a point higher at 12.

Quiet conditions again prevailed in Traded Options where 1,073 deals were arranged which compares with Wednesday's 1,190 and last week's daily average of 2,200. **Cons. Gold Fields** recorded a useful call business with 128 trades completed, while, among puts, **Grand Metropolitan** and **ICI** attracted 96 and 78 deals respectively.

Grindlays below best

Grindlays enlivened an otherwise uninspired banking sector, touching 220p on renewed bid talks before reacting to close 3 up on balance at 215p. **Lloyds**, which holds a 41.4 per cent stake in Grindlays, hardened 2 to 392p. Discount Houses progressed in places; participants in the agreed merger, **Allen Harvey and Ross** and **Cater Ryder** improved 5 apiece to 280p and 300p respectively, while **Gerrard and National** gained a similar amount to 270p.

A shade easier at the outset, Breweries attracted limited support at the lower levels and closed above the worst.

Leading Buildings continued to drift easier, but selected issues attracted modest late support. **Blue Circle** closed a net 2 off at 456p, after 454p, while **Tarmac**, a particularly dull market since announcing its £40m bid for Hoveringham, slipped further to 330p before settling a couple of pence cheaper on balance at 332p. **Barratt Developments** remained on offer and lost 5 more to 214p. **Higgs and Hill**, a strong market last week on good half-yearly results, gave up 7 to 120p, while **John Mowlem** shed 4 to 158p on disappointment with the interim trading statement. **Aberthaw Cement** firmed 8 to 278p in response to the better-than-expected mid-term profits and dividend, while **Jayplant** hardened ½ to 5½p following the preliminary results. Elsewhere, **Brown and Jackson** turned dull late and closed 3 off at 24p, while **Wiggins Construct**, a thin market, relinquished 4 to 66p.

News that the company intends to shed 3,900 jobs at its Mond division by 1984 had no apparent impact on ICI which fluctuated narrowly before closing a net 2 firmer at 260p.

A continuing lack of investment resulted in another dull session among Stores. **Gussies A** fell 7 for a two-day loss of 22 at 373p. Mail-orders were irregular. **Empire**, 62p, recovered 2 of Wednesday's drop of 14 which followed the disappointing interim results. **Grattan** eased 4 to 78p, but **Freemans** held the overnight 102p. **Lee Cooper** rose 7 to 137p after the increased interim earnings and dividend, but recent speculative favourite **Tern-Consulate** encountered profit-taking and eased 3 to 62p. **Amber Day** lost the turn to 16p awaiting today's preliminary results, but interest revived in **Alfred Preedy**, 5 dearer at 62p.

Firmer conditions returned to the Electrical leaders. Early bear closing followed by renewed investment support helped **GEC** to rally 12 to 690p and **Racal** picked up 7 at 405p. Similarly, **Plessey** rose 6 to 304p and **Thorn EMI** 5 to 425p. Elsewhere, **Standard Telephone and Cables** came on offer again and slipped 8 to 395p, while falls of 10 and 13 respectively were seen in **Farnell**, 470p, and **United Scientific**, 440p. **Western Selection**, down 5 the previous day, lost 2 more at 32p.

The chairman's strong denial of any liquidity problems within the company prompted a smart rally in **British Aluminium** and the parent **Tubes** yesterday; B.A. closed at 38p, after 40p, thus recouping all of the previous day's fall of 8, while Tubes, down 10 on Wednesday, rallied 6 to 98p, after 90p. Other Engineering leaders improved in sympathy with **GKN** closing 3 better at 150p and **Hawker** 4 dearer at 270p. **John Brown**, however, cheapened a penny to 72½p, sentiment here still soured by the rights issue flop. Elsewhere, **F. S. Ratcliffe Industries** lost 5 to 35p following the final dividend omission and annual deficit but **Greenbank** rose 3 to 23p in response to the increased interim dividend and half-year earnings.

ICL firm

Leading Foods displayed an easier bias during the "House" session, but the general improvement in sentiment after hours left most quotations unchanged on balance. **Associated Biscuit** added 3 to 68p on second thoughts about the interim results.

Calmer conditions returned to the Miscellaneous Industrial leaders following the reassuring statements from British Aluminium and Tubes regarding recent adverse rumours. Prices were again easier for choice but closed above the day's lowest in places, **Glaxo** ending 6 off at 382p, after 378p. **Reed International** gave up 8 at 230p ahead of interim results due later this month. **Bowater** shed 5 to 206p and **Metal Box** remained on offer at 134p, down 4. Elsewhere, **ICL** stood out with an improvement of 4 to 41p on the announcement that the House of Fraser stores have installed the former's 2977 large computer system. **Hoskins and Horton** rose 5 to 125p on an investment recommendation and **Lead Industries** improved 3 to 148p on speculative buying. **Sandhurst Marketing** put on 2 to 47p, after 48p, following the interim statement but fading bid hopes clipped 9 from **Wood all Trust**, 137p. **Harvey and Thompson** weakened 7 to 36p following details of the dividend cut, annual loss and planned disposal, or closure, of all but a limited part of the company's jewellery business. Still in an effort to find a correct trading level, **Sothebys** were adjusted 20 lower to 400p, while falls of around 10 were seen in **BTR**, 320p, **J. Billam**, 111p and **Office and Electronic**, 290p.

Properties regained composure after the previous day's shake-out. **Land Securities** regained 8 to 288p as did **MEPC**, to 208p. **Great Portland Estates** rallied 6 to 186p and **Haslemere Estates** 4 to 388p, while **Samuel** improved 3 to 95p. Elsewhere, **Rosehaugh**, a dull market since the annual results, recovered 10 to 250p.

Oils improve

Reports of renewed Middle East tension sparked fresh demand for Oils. **British Petroleum** firmed 6 to 288p and **Shell** 8 to 338p. **Lasmo**, 475p, recovered 15 of the previous day's fall of 28, while **Ultramar** rallied 12 to 465p. **Premier** came in for renewed support and gained 5 to 59p, while **Burmah** added 4 to 111p. **Hunting Petroleum**, still responding to the interim results, gained another 5 to 216p, but **Atlantic Resources**, a strong market recently after Press comment, encountered profit-taking and reacted to 245p before closing a net 15 off at 265p. Onshore explorers **Carless Capel** and **Candecca** added 5 apiece to 128p and 158p respectively.

Overseas Traders held close to the overnight positions in quiet trading. **Lonrho** eased a couple of pence to 72p, while **Inchcape** gave up 3 more to 272p. **Steel Brothers** rose 5 to 225p following the interim results; the price shown in yesterday's issue was incorrect.

R. P. Martin, dealings in which were suspended at 182p in January pending the now-completed merger with West German money brokers Bierbaum, made a spectacular return to the market, opening as 283p, some 50 above most market estimates; from this level the shares eased to 270p before closing at 275p. Fellow money brokers **Mercantile House** held at 385p. Investment Trusts closed with modest losses, **RIT** easing 4 to 317p. **Camellia** provided a notable exception, rising 11 to 431p reflecting the company's tea estate interests.

Golds lower

Carpet concerns were unsettled by news that **Blackwood Morton** has appointed a receiver; dealing in Blackwood were suspended at the company's request at 9½p which compares with the 1981 peak of 15p. **Homfray** eased 1½ to 11p, while **Tomkinsons** shed a couple of pence to 51p. Elsewhere in Textiles, profit-taking clipped 3 more from **Dawson International**, 117p, while **S. Lyles**, a firm market since Monday's annual statement, came back a similar amount to 70p.

Mining markets registered widespread losses reflecting general market conditions coupled with weak base-metal prices.

Overnight American selling and general lack of buying interest saw South African Golds drift lower throughout the session. Most issues closed at the day's lowest despite the steady performance of the bullion price which closed unchanged at $444.50 an ounce. The Gold Mines index gave up 11.2 to 384.9.

South African Financials moved similarly with **Anglo American Corporation** dipping 15 to 735p, **De Beers** 8 to 359p and **"Johnnies"** ½ to £36½, the last-named ahead of the annual report and chairman's statement.

London-based Financials were easier but closed well above the day's lowest following late buying interest. **Charter Consolidated** were finally a net 7 down at 223p, after 220p. **Gold Fields** closed unaltered at 485p, after 490p, and **Rio Tinto-Zinc** ended 3 cheaper on balance at 480p, after 474p.

Lower base-metal prices coupled with poor performances by London and New York stock markets on Wednesday led to sizeable selling of Australians in overnight Sydney and Melbourne markets.

Consequently, prices opened sharply lower in London and fell further during the day before staging a modest rally in after hours trading. **Peko-Wallsend** were aggressively sold [illegible] and fell to a 1981 low of 370p. [illegible] the copper smelter and the Gecko copper mine. **CRA** gave up 4 to 196p [illegible] **Ashton Mining** [illegible] 81p in the wake of the latest quarterly progress report from the Ashton diamond venture. [illegible] closure of the Tennant Creek [illegible]

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (5)

AMERICANS (1)
Lowes

INDUSTRIALS (1)
Hoskins and Horton

OVERSEAS TRADERS (1)
Steel Bros

MINES (2)
Cons Modderfontein, Tanks Cons

NEW LOWS (39)

CORPORATION LOANS (1)
Lon Cnty 9½pc 84-85

AMERICANS (2)
Kaiser Aluminium, Tenneco

STORES (2)
Helene of London, Liberty

ELECTRICALS (2)
Kode Intnl, Wholesale Fittings

ENGINEERING (3)
Aurora, Ratcliffe Inds, Evered

INDUSTRIALS (8)
Boots, Huntleigh, Brook St Bureau, Pentlow, Fletcher Challenge, Redfearn Glass, Harvey & Thompson, Wadi Potteries

LEISURE (2)
Barr & WAT A, Grampian TV A

PAPERS (1)
LCA Hldgs

PROPERTY (1)
Daon Dev Crpn

SHIPPING (2)
Brit & Cmwlth, P & O Dfd

TRUSTS (11)
Anglo-Int Div, Industrial & Gen, Archimedes Inc, Meldrum Inv, Caledonia Invs, U.S. & General Tst, Eng & Intnl, Fashion & General, Equity Inc, Pearson (S.), Gen Consolidated

OILS (1)
Sun (UK) Royalty

MINES (3)
Afex Corp, Amal Nigeria, Argosy Gold

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	72	18
Corpns., Dom. and Foreign Bonds	8	24	38
Industrials	133	432	805
Financial & Props.	52	218	233
Oils	28	41	34
Plantations	3	10	10
Mines	5	97	65
Others	6	86	90
Totals	237	980	1,293

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	No. of price changes	Wednesday's closing price pence	Day's change
BP		288	+6
Glaxo		382	−6
LASMO		475	+15
Martin (R. P.)		275	—
Peko-Wallsend		380	−20
P. & O. Deferred		97	−1
Plessey		304	+6
Racal Electronic		405	+7
Royal Insurance		345	—
Shell		338	+8
Tilling (T.)		144	+8
Ultramar		465	+12

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wednesday's price pence	Day's change
GUS A	17	380	−15
RTZ	17	483	−17
Tube Invs	17	92	−10
GEC	14	678	−10
Ultramar	14	452	−22
Hawker Sidd.	13	266	−14
ICI	13	258	−4
Plessey	13	298	−12
BP	12	282	−8
Land Secs.	12	280	−7
Racal Elec	12	398	−12
Thorn EMI	12	420	−13
Bowater	11	211	−3
Royal Ins	11	345	−7

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 5	Oct 16	Jan 7	Jan 18
Oct 19	Oct 30	Jan 21	Feb 1
Nov 2	Nov 13	Feb 11	Feb 22

For rate indications see end of Share Information Service

Call options were completed in Premier Oil, Southern Pacific Petroleum, RHM, Britannia Arrow, Tubes, FNFC, Woodside, Brook Street Bureau, Dundonian, Racal, British Home Stores and Royal Bank of Scotland. Puts were taken out in Burmah, Britannia Arrow and Lucas, while double options were arranged in Town and City Properties, Amber Day, RHM and Tubes.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Thurs., Oct. 15, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. Oct. 14 Index No.	Tues. Oct. 13 Index No.	Mon. Oct. 12 Index No.	Fri. Oct. 9 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	314.54	−0.1	11.17	5.01	11.08	314.88	321.54	326.32	329.84	286.07
2 Building Materials (25)	274.20	−0.9	16.53	6.26	6.89	276.65	281.46	284.44	285.62	254.65
3 Contracting, Construction (28)	486.22	−1.6	19.52	5.61	5.96	494.09	503.62	511.30	505.34	422.75
4 Electricals (30)	1067.40	+1.3	8.54	2.69	14.61	1053.95	1075.57	1083.38	1103.41	893.28
5 Engineering Contractors (9)	431.23	−1.1	15.02	6.38	7.85	435.95	442.41	450.84	449.68	351.56
6 Mechanical Engineering (66)	172.01	—	12.74	6.38	10.29	172.02	177.11	181.20	183.44	178.16
8 Metals and Metal Forming (13)	148.33	−0.8	9.73	7.99	13.93	149.33	151.29	154.89	158.08	159.53
9 Motors (21)	87.04	−1.2	—	7.75	—	88.06	89.74	91.18	92.52	95.89
10 Other Industrial Materials (18)	338.20	−0.3	9.94	6.80	12.25	339.17	347.66	355.06	355.75	[illegible]
21 CONSUMER GROUP (197)	247.87	−0.7	14.17	6.54	8.70	249.63	254.36	257.45	260.19	238.09
22 Brewers and Distillers (20)	254.28	−0.1	17.65	7.61	6.83	254.52	260.51	261.85	270.03	277.69
25 Food Manufacturing (21)	242.48	−0.6	16.49	6.94	7.31	243.85	246.78	250.95	251.90	216.69
26 Food Retailing (15)	505.35	−0.4	9.96	3.99	13.74	507.50	512.02	516.71	[illegible]	[illegible]
27 Health and Household Products (7)	314.19	−0.9	9.44	4.87	12.58	317.04	323.48	328.78	323.30	224.08
29 Leisure (24)	393.87	—	10.34	5.58	11.99	393.69	401.91	410.08	415.48	342.48
32 Newspapers, Publishing (12)	430.95	−0.5	14.28	6.97	10.04	433.06	434.00	436.55	440.70	434.23
33 Packaging and Paper (13)	128.50	−0.3	15.69	8.66	7.70	128.99	132.44	132.82	133.45	128.36
34 Stores (45)	219.19	−1.4	13.16	6.06	10.03	222.40	226.45	229.54	233.83	234.57
35 Textiles (23)	139.70	−0.3	9.00	6.58	15.49	140.11	142.92	145.24	143.97	123.91
36 Tobaccos (3)	242.18	−0.8	23.30	10.70	4.92	242.26	246.44	248.09	250.49	220.07
37 Other Consumer (14)	246.45	+0.2	9.18	7.04	16.64	245.98	251.82	259.91	261.02	214.00
41 OTHER GROUPS (80)	204.33	−0.8	12.15	6.92	10.54	206.01	209.49	212.44	212.71	218.37
42 Chemicals (16)	265.59	—	16.30	6.76	27.41	265.57	270.36	274.01	274.65	294.99
44 Office Equipment (5)	96.07	+0.3	17.78	8.90	6.76	95.77	97.51	99.01	98.90	105.46
45 Shipping and Transport (13)	454.31	−1.3	14.33	5.40	8.41	460.32	466.76	474.39	472.73	508.91
46 Miscellaneous (46)	264.82	−1.8	14.23	6.29	8.52	269.67	274.20	277.95	277.77	288.88
49 INDUSTRIAL GROUP (487)	264.51	−0.5	12.77	6.00	9.70	265.83	271.01	274.65	277.26	251.90
51 Oils (13)	662.56	+2.2	21.49	8.52	5.27	648.20	668.79	671.68	691.08	632.24
59 500 SHARE INDEX	295.71	—	14.33	6.46	8.43	295.88	303.27	306.85	310.85	283.47
61 FINANCIAL GROUP (119)	237.98	—	—	5.86	—	237.89	242.24	245.41	248.53	[illegible]
62 Banks (6)	250.04	−0.1	35.71	7.53	3.30	250.32	255.67	259.51	261.28	261.22
63 Discount Houses (10)	253.96	+1.2	—	8.93	—	251.05	250.53	253.02	249.32	299.05
64 Hire Purchase (5)	219.60	+1.2	14.17	8.42	9.77	216.92	223.12	222.03	223.16	183.50
65 Insurance (Life) (10)	243.59	−0.7	—	6.55	—	245.25	247.82	257.06	256.53	257.89
66 Insurance (Composite) (10)	155.29	—	—	8.62	—	155.32	158.43	160.57	163.17	169.80
67 Insurance Brokers (8)	394.21	−1.0	11.72	6.12	11.61	398.37	403.01	406.19	409.48	345.51
68 Merchant Banks (13)	146.21	+0.3	—	5.43	—	145.85	144.29	146.36	[illegible]	150.36
69 Property (50)	422.32	+1.4	4.56	3.37	29.74	416.53	425.87	429.38	430.69	464.97
70 Miscellaneous (9)	163.14	−1.1	19.88	6.78	6.11	164.89	167.48	169.44	168.18	162.12
71 Investment Trusts (110)	269.46	−1.5	—	5.95	—	273.56	278.40	283.46	287.48	281.89
81 Mining Finance (3)	250.04	−1.5	9.85	8.46	8.46	254.84	262.12	260.80	262.53	[illegible]
91 Overseas Traders (18)	399.21	−1.5	11.83	7.48	10.74	405.17	408.79	415.64	414.60	460.34
99 ALL-SHARE INDEX (750)	285.17	−0.1	—	6.42	—	285.59	291.22	295.21	298.58	297.16

FIXED INTEREST

PRICE INDICES	Thurs., Oct. 15	Day's change %	Wed., Oct. 14	xd adj. today	xd adj. 1981 to date
British Government					
1 5 years	104.92	−0.05	105.06	0.09	7.96
2 5-15 years	98.66	−0.26	98.92	—	10.67
3 Over 15 years	99.85	−0.23	100.69	0.61	11.90
4 Irredeemables	108.43	−0.35	108.81	—	9.05
5 All Stocks	100.83	−0.18	101.21	0.22	10.09
6 Debentures & Loans	77.95	−0.16	78.07	—	8.88
7 Preference	58.74	+0.13	58.67	—	6.14

AVERAGE GROSS REDEMPTION YIELDS		Thurs., Oct. 15	Wed., Oct. 14	Year ago (approx.)
1 British Government Low Coupons	5 years	13.62	13.59	11.59
2	15 years	14.12	14.09	11.99
3	25 years	14.22	14.19	[illegible]
4 Medium Coupons	5 years	16.19	16.13	13.04
5	15 years	15.97	15.92	13.14
6	25 years	15.44	15.39	12.88
7 High Coupons	5 years	16.39	16.35	13.31
8	15 years	16.17	16.11	13.38
9	25 years	15.67	15.66	13.09
10 Irredeemables		13.92	13.87	11.12
11 Debs & Loans	5 years	16.55	16.53	13.85
12	15 years	16.72	16.69	13.74
13	25 years	16.72	16.69	13.63
14 Preference		16.78	16.80	14.02

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div.	Times covered	Gross yield	P/E ratio
110	F.P.	13/11	133	120	Habitat	124	−2	b3.6	1.4	4.2	23.2
[illegible]	F.P.	18/9	28	24	JapanAssets Trust 10p	25					
25	F.P.	2/10	56½	43	Jeavons Eng.	43		b3.75	1.7	12.5	5.6
28	F.P.	18/9	[illegible]	[illegible]	Lon. Private Health	28					
100	F.P.	30/10	105	97	ManneAdv.Bal.Tst. £1	97					
[illegible]	F.P.	18/9	180	148	Nippon Electric	155					
100	F.P.	26/10	105	[illegible]	Precious Metals Tst.	[illegible]					
[illegible]	F.P.	18/9	14	10	Stewart Ent. Wts.	[illegible]					
[illegible]	F.P.	26/8	120	98	St'ckhold'rs P.Ltr. £1	98					
[illegible]	F.P.	16/10	[illegible]	[illegible]	Utd Friendly Ins. B.R.V.	158					
[illegible]	F.P.	25/9	17½	7	Willairs Systems 10p	10					
[illegible]	F.P.	11/9	15	8	Do. Rest. Div. 10p	9					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	27/11	[illegible]	[illegible]	Amal Dist. Products 10 Cv. Ln. '97	115	
[illegible]	Nil	26/10	[illegible]	[illegible]	Austin (F.) Leyton 11½pc Cnv. Red. Pf.	[illegible]	
100	£40	20/11	38½	37½	Birmingham Drop-Lock '86/95	38½	
[illegible]	[illegible]	[illegible]	99	96	Hawley Leisure 12½ Cum. Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nat'wide Bdg Society 14½% 26/8/82	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 15½% Bds 23/9/82	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nat. Westminster 15½% Sub. Ln. 1986	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Credit Warrants	[illegible]	
97.33	£30	[illegible]	28½	27	Utd. Mexican States 16¼% Ln. 2008	28½	
£100	F.P.	24/9	101	100½	York Waterworks 10% Red. Pref. '86	101	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −
10	F.P.	9/10	11/11	13½	10½ Astra Ind.	10½	
225	F.P.	2/10	6/11	269	225 BICC	253	
18	Nil	—	—	6pm	4pm British Benzol	4½pm	
175	F.P.	15/7	9/12	182	175 Brown (J.)	[illegible]	
76	F.P.	13/10	13/11	78	74 Brown (J)	73	
13	Nil	25/9	30/10	[illegible]	[illegible] Fosoco Minsep	[illegible]	
55	Nil	21/10	26/11	12pm	11pm Haslemere	11pm	
18½	F.P.	9/10	18/9	30½	19 Jantar	19	
105	F.P.	16/10	6/11	125	106 Laird Grp	110	
107	F.P.	30/10	6/11	121	107 Morgan Crucible	107	
113	F.P.	25/9	6/11	125	108 Trusthouse Forte	110	
125	F.P.	9/9	9/10	650	139 Utd. Scientific	[illegible]	
20	Nil	22/10	19/11	33pm	12pm Viner's Units	17pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ‡ Unlisted Securities Market. †† London Listing. ‡ Effective issue price after scrip. † Comprising 50 Ordinary of 1p and £1 of 10 per cent Loan 1988.

FINANCIAL TIMES STOCK INDICES

	Oct. 15	Oct. 14	Oct. 13	Oct. 12	Oct. 9	Oct. 8	A year ago
Government Secs.	61.55	61.67	61.97	62.33	62.38	62.10	70.76
Fixed Interest	62.72	62.86	63.19	63.41	63.43	63.04	72.51
Industrial Ord.	473.2	472.4	484.6	491.0	496.5	487.7	480.4
Gold Mines	384.9	396.1	392.5	399.8	399.6	383.0	508.4
Ord. Div. Yield	6.29	6.31	6.16	6.05	5.96	6.11	7.67
Earnings, Yld. % (full)	10.68	10.72	10.46	10.17	10.02	10.36	17.33
P/E Ratio (net) (*)	12.09	11.98	12.27	12.66	12.84	12.52	7.04
Total bargains	14,971	16,400	17,630	17,728	20,060	15,150	20,311
Equity turnover £m.	—	100.26	98.94	98.57	155.74	111.77	120.27
Equity bargains	—	10,616	11,750	12,427	15,120	13,994	16,136

10 am 471.7. 11 am 470.2. Noon 467.4. 1 pm 467.8. 2 pm 469.2. 3 pm 470.0.

Latest Index 01-246 8026.

* Nil = 10.68.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (29/1)	60.45 (28/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (29/1)	61.94 (28/9)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (7/4)	282.6 (14/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 14	Oct. 13
—Daily Gilt Edged Bargains	154.9	203.3
Equities Bargains	58.8	76.1
Value	209.0	200.0
—5-day Avrge. Gilt Edged Bargains	[illegible]	[illegible]
Equities Bargains	61.6	64.4
Value	227.7	223.0

OFFSHORE & OVERSEAS—contd.

Capital International Fund S.A.; Charterhouse Japhet; Cornhill Ins. (Guernsey) Ltd.; Delta Group; Deutscher Investment-Trust; Dreyfus Intercontinental Inv. Fd.; Duncan Lawrie Inv. Mgt. (Jersey); Emson & Dudley Tst. Mgt. Jrsy. Ltd.; The English Association; Eurobond Holdings N.V.; F. & C. Mgmt. Ltd. Inv. Advisers; Fidelity International Ltd.; First Viking Commodity Trusts; Frankfurt Trust Investment-GmbH; Free World Fund Ltd.; G. T. Management (U.K.) Ltd.; Gartmore Fund Managers; Guinness Mahon Fd. Mgrs.; Hambros Fd. Mgrs. (C.I.) Ltd.; Henderson Baring Group; Hill-Samuel & Co. (Guernsey) Ltd.; Hill Samuel Investment Mgmt. Intnl.; Invesco International Management; Jardine Fleming & Co. Ltd.; King & Shaxson Mgrs.; Kleinwort Benson Group; Lloyds Bank International, Geneva; M & G Group; Schroder Life Group; Save & Prosper International; Tokyo Pacific Holdings N.V.; Tyndall Group [illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	247.3	260.3	.....	4.16

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 2DB. 01-588 1815

Property Fd. Sept. 30	344.35		.....	6.74
Wider Fund Sept. 30	234.35		.....	5.45
Narrower Fd. Sept. 30	69.25		.....	14.74

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	70.9	75.9	-1.3	2.79
(Accum. Units)	76.7	82.1	-1.4	2.79
American Recovery	77.7	83.1	-1.5	1.56
(Accum. Units)	80.2	85.8	-1.6	1.56
Australasian	89.2	95.4	-2.6	1.49
(Accum. Units)	93.7	100.3	-2.7	1.49
Commodity	128.7	137.7	+1.4	3.30
(Accum. Units)	152.9	163.6	+1.6	3.30
Compound Growth	175.0	190.8	-1.0	3.31
Conversion Growth	118.2	126.5	+0.2	2.77
Conversion Income	72.3	77.4	-0.2	9.41
Dividend	124.8	133.5	-0.9	10.14
(Accum. Units)	286.3	306.3	-2.2	10.14
European	60.7	65.0	-0.4	3.83
(Accum. Units)	67.6	72.3	-0.5	3.83
Extra Yield	77.7	83.6	-0.2	10.23
(Accum. Units)	130.9	141.4	-0.3	10.23
Far Eastern	107.2	115.8	-2.4	1.52
(Accum. Units)	123.4	133.3	-2.7	1.52
Fund of Inv. Tsts.	88.3	94.3	-0.5	4.95
(Accum. Units)	120.6	131.4	-0.7	4.95
General	222.3	239.0	-2.1	6.37

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	163.6	171.2	-2.4	2.55
(Accum. Units)	218.3	234.7	-3.3	2.55
Income Fnd.	219.3	230.4	-2.6	8.39
(Accum. Units)	378.3	406.7	-4.6	8.39
Gen.	127.0	136.5	-2.1	4.45
(Accum. Units)	174.5	187.6	-2.9	4.45
Europe	22.7	24.0	-0.2	2.87
(Accum. Units)	27.4	29.4	-0.2	2.87
Smaller Co.'s	147.0	158.0	-2.1	2.64
American	54.1	58.1	-1.2	0.78
(Accum. Units)	54.1	58.1	-1.2	0.78
Tokyo	55.1	59.2	-1.0	0.21
(Accum. Units)	55.1	59.2	-1.0	0.21
Gilt & Fixed	42.7	44.4	-0.3	13.09
(Accum. Units)	44.4	46.7	-0.2	13.09
Australian	51.1	55.5	-0.4	2.90
(Accum. Units)	51.5	55.9	-0.5	2.90
Singapore & Malay	—	—	.....	—
(Accum. Units)	—	—	.....	—
*Pn.&C. Fd. Sept. 22	241.4	259.5	.....	4.72
*Recovery Oct. 13	287.8	309.4	.....	4.433
*Spec. Ex. Oct. 13	408.7	482.4	.....	2.38
Euro. Except. Oct. 6	110.0	119.3	.....	3.03

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	94.0	101.5	-0.4	5.90

Scottish Equitable Fund Mgrs. Ltd.
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	59.8	63.6	.....	5.38
Accum. Units	78.3	83.8	.....	5.38

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB. 01-902 8876

Equity Units	£24.90	—	-0.51	—
Property Units	£14.85			—
Equity Bond/Exec	£16.65	17.62	-0.39	—
Prop. Bond/Exec	£19.44	20.57	.....	—
Bal. Bd./Exec/Unit	£17.44	18.46	-0.15	—
Deposit Bond	144.5	152.9	.....	—
Equity Accum.		300.5	-7.0	—
Property Accum.		£29.95	.....	—
Mngd. Accum.	243.3	—	-2.5	—
2nd Equity	131.4	139.0	-2.6	—
2nd Property	150.5	159.3	.....	—
2nd Managed	129.0	136.5	-1.2	—
2nd Deposit	126.1	133.4	.....	—
2nd Gilt	97.0	102.6	-0.8	—
2nd American	130.8	138.4	-1.7	—
2nd Intl. Money	120.9	127.9	-0.5	—
2nd Eq. Pens./Acc.	150.9	170.3	-4.0	—
2nd Prp. Pens/Acc.	176.8	187.1	.....	—
2nd Mgd. Pens/Acc.	150.5	159.3	-1.5	—
2nd Dep. Pens/Acc.	150.8	159.6	.....	—
2nd Gilt Pens/Acc.	115.5	122.2	-0.8	—
2nd Am. Pens/Acc.	154.3	163.3	-2.4	—
2nd Intl. Money Pens/Acc.	132.9	140.6	-0.8	—
L & E S.I.F.	53.0	56.5	-0.5	—
L & E S.I.F. 2	37.0	39.5	.....	—

Current value Oct. 14.

Capital Life Assurance
Coniston House, Chapel Ash W'ton. 0902 28511

Key Invest. Fd.	102.82	.....	—
Pacemaker Inv. Fd.	82.75	.....	—

Charterhouse Magna Gp.

Hill Samuel Life Assur. Ltd.
NLA Twr., Addiscombe Rd., Croy. 01-686 4355

Security Fund	91.5	96.4	-0.7	—
British Fund	91.8	96.7	-0.8	—
International Fund	108.2	113.9	-2.0	—
Dollar Fund	107.2	112.9	-2.1	—
Capital Fund	96.4	101.5	-0.2	—
Income Fund	95.0	100.0	.....	—
Property Series A	153.0	161.1	.....	—
Property Units	250.1	263.7	.....	—
Financial Fund	95.0	100.0	.....	—
Managed Series A	121.0	127.4	.....	—
Managed Series C	105.2	110.6	.....	—
Managed Units	207.5	218.5	.....	—
High Yield Fund	96.5	101.7	.....	—
Money Series A	124.8	131.4	.....	—
Money Units	156.6	164.9	.....	—
Equity Fund	116.5	122.7	.....	—
Fixed Int. Fund	110.0	115.8	.....	—
Eurobond Fund	98.6	103.8	.....	—
Far East Fund	126.4	133.1	-2.7	—
Spec. Sits Fund	99.0	104.3	-0.5	—

Pension Fund Prices

Property Acc.	148.5	156.3	.....	—
Property Cap.	131.7	138.7	.....	—
Managed Acc.	209.6	220.7	.....	—
Managed Cap.	177.0	186.4	.....	—
Guaranteed Acc.	164.2	172.9	.....	—
Guaranteed Cap.	138.6	146.0	.....	—
Equity Acc.	146.1	153.8	.....	—
Equity Cap.	129.6	136.5	.....	—
Fixed Int. Acc.	124.3	130.9	.....	—
Fixed Int. Cap.	110.2	116.1	.....	—
Indexed Secs. Acc.	88.9	93.6	.....	—
Indexed Secs. Cap.	87.9	92.5	.....	—

INSURANCE & PROPERTY

OFFSHORE & OVERSEAS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
330	85	Colby Res. Corp.	155	+5	—	—	—
330	200	Cons. Murch. 10c.	290	......	tQ30c	1.8	5.9
10	6	††Explaura Gold	10	......	—	—	—
98	47	††Hemerdon 10c.	62	......	—	—	—
180	65	Highwood Res.	95	−5	—	—	—
505	260	Northgate C$1	300	−20	—	—	—
633	372	R.T.Z.	480	−3	16.0	2.3	4.8
£130½	£93½	Do.9½%Cv.Uns.Ln.'95-2000	£108½	−1½	Q9½%	—	18.9
103	13	††SPO Minerals 10p	26	......	—	—	—
47	20	Sabina Inds. C$1	24	−1	—	—	—
44	21	††S'west Cons. 10p.	25	......	—	—	—
585	465	Tara Exptn. $1	555	−7	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♀ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	41	......	Conv. 9% '80/82	£92	......
Bertrams	8	......	Nat. 9¾% 84/89	£68¾	......
Bdg'wtr. Est. 50p	405	......	Fin. 13% 97/02	£72¾	......
Craig & Rose £1	£13	......	Alliance Gas	55	......
Finlay Pkg. 5p	21½	......	Arnott	232	......
Graig Ship. £1	£20	......	Carroll (P.J.)	75	......
Higsons Brew	63	......	Concrete Prods.	90	......
Holt (Jos) 25p	510	......	Helton (Hldgs.)	26	......
I.O.M. Stm. £1	150	......	Irish Ropes	41	......
Pearce (C. H.)	800	......	Jacob	65	......
Peel Hldgs.	105	......	T.M.G.	15	−1
Sheff. Refrshmt	90	......	Unidare	60	......
Sindall (Wm.)	190	......			

OPTIONS

3-month Call Rates

Industrials		House of Fraser	14	Utd. Drapery	6½
A. Brew	6½	I.C.I.	18	Vickers	18
BOC Intl.	11	"Imps"	5	Woolworths	5
B.S.R.	7	I.C.L.	4		
Babcock	9	Ladbroke	13	Property	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	7
Beecham	17	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	38
Boots	18	"Lots"	3½	MEPC	28
Bowaters	19	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	28	"Mams"	11	Town & City	2¼
Brown (J.)	8	Mrks. & Spncr	10		
Burton Ord.	12	Midland Bank	26	Oils	
Cadburys	8	N.E.I.	8	Brit. Petroleum	28
Courtaulds	5½	Nat. West. Bank	30	Burmah Oil	11
Debenhams	7	P & O Dfd.	10	Charterhall	6
Distillers	17	Plessey	26	KCA	12
Dunlop	7½	Racal Elect.	34	Premier	6
Eagle Star	25	R.H.M.	5	Shell	28
F.N.F.C.	3½	Rank Org. Ord.	18	Tricentrol	25
Gen. Accident	38	Reed Intnl.	25	Ultramar	40
Gen. Electric	55	Sears	5		
Glaxo	28	Tesco	5½	Mines	
Grand Met.	16	Thorn EMI	30		
G.U.S. 'A'	44	Trust Houses	15	Charter Cons.	21
Guardian	30	Tube Invest.	18	Cons. Gold	40
G.K.N.	12	Turner & Newall.	10	Lonrho	7
Hawker Sidd	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

FINANCIAL TIMES
Friday October 16 1981

Reagan defends aid policy

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan yesterday stoutly defended America's record as a friend of developing countries and urged them to follow its example by adopting open market, free enterprise policies.

In a speech foreshadowing the position he will take at next week's north-south summit, in Cancun, Mexico, Mr Reagan had little else to offer the developing countries and dismissed demands for massive transfers of wealth from rich to poor nations.

Hammering home his message that economic freedom was indispensable for world development, Mr Reagan launched a sharp attack on the Soviet Union, which is not attending the 22-nation gathering in Mexico.

"The real reason they're not coming is they have nothing to offer," Mr Reagan told the World Affairs Council in Philadelphia. The Soviet people had to rely on private-enterprise American farmers to feed them, he said.

The President claimed that the U.S. was leading the way in "Helping to better the lives of citizens in developing countries" through its open, growing markets, food aid, official development assistance and accessible capital markets.

The world's existing multilateral institutions, the General Agreement on Tariffs and Trade, the World Bank and the International Monetary Fund, had a "remarkable record" of promoting international growth and prosperity, he said.

Mr Reagan said five strategic principles were important:

● Stimulating trade by opening up markets "both within individual countries and among countries." The GATT should be strengthened.

● Tailoring particular development strategies to the specific needs and potential of individual countries and regions—as in the U.S.-sponsored plan to develop the Caribbean basin.

● Guiding assistance towards "self - sustaining productive capacities," particularly in food and energy and specially through private efforts and market-orientated policies.

● Improving the climate for private investment "and the transfer of technology that comes with such investment."

● Creating a political atmosphere in which practical solutions could move forward—rather than "founder on a reef of misguided policies that restrain and interfere with the international marketplace or foster inflation."

Mr Reagan said the U.S. wanted "a positive development dialogue." But he made no reference to the new round of global negotiations in the UN sought by the developing countries, nor to other favourite Third World projects such as a new energy affiliate for the World Bank.

"At Cancun we will provote a revolutionary idea born more than 200 years ago. It's called freedom and it works," he concluded.

CEGB in £472m nuclear contract

By David Fishlock, Science Editor

THE CENTRAL Electricity Generating Board signed a contract yesterday worth an estimated £472m for the National Nuclear Corporation, the British nuclear reactor design and construction company, to provide project management services for the Board's latest Heysham 2 nuclear station in Lancashire.

This is the first new power station contract undertaken by the corporation since it was set up by the Government in 1974. The services relate to the nuclear steam supply system and represent about a third of the total cost of Heysham 2.

The contract for the 1320-MW station, based on twin advanced gas-cooled reactors, is the first by the CEGB for 11 years.

The nuclear corporation has negotiated a separate contract, also worth about £470m, with the South of Scotland Electricity Board for construction of a similar station at Torness.

The CEGB said yesterday that it had approved the Heysham 2 project at an estimated cost of £1.43bn (at March 1981 prices). Its previous estimate was £1.27bn at March 1980 prices. Both estimates include the first charge of fuel.

The Heysham 2 agency agreement has been in operation for nearly a year, while extensive work was carried out on foundations and major engineering components.

But with yesterday's signing the nuclear corporation received its first CEGB payment for construction work, £500,000.

Principal shareholders in the corporation are the United Kingdom Atomic Energy Authority (35 per cent); GEC (30 per cent); and British Nuclear Associates, an engineering consortium including Babcock International and Taylor Woodrow.

The CEGB will publish "shortly" a comprehensive document on advanced gas-cooled reactor safety, said Mr Dennis Lomer, CEGB member responsible for construction.

The Heysham 2 contract, known as an "agency agreement," will be the model for future nuclear orders, such as that for the proposed Sizewell B station, Mr Lomer said.

He added that the CEGB had already placed orders for major engineering components with such companies as Babcock, Northern Engineering Industries and Howden.

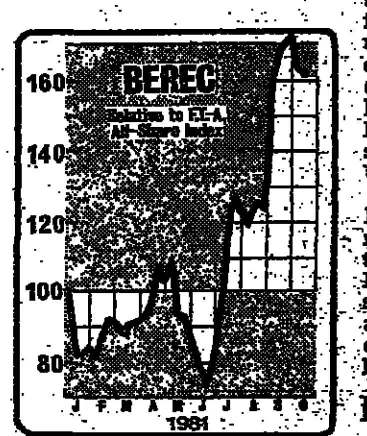
The CEGB and nuclear corporation boards will continue to review the project in detail annually.

Signing was held up while the boards of the two organisations reviewed the project, its technical uncertainties, and the estimated costs and completion dates.

THE LEX COLUMN

Berec stands by its prospects

Index rose 0.8 to 473.2



According to the Chancellor last night, the public sector borrowing requirement is running to target—but the money supply is very clearly not doing so, whatever the distortions generated by the civil service dispute. Indeed this has now been admitted as a factor in the rise in domestic interest rates. This admission must read uncomfortably to those who were hoping for a speedy reduction in the cost of money.

Yesterday's money supply figures for the month to mid-September duly show the forewarned 2.1 per cent increase in sterling M3, and the detailed breakdown provides little in the way of consolation. With negligible funding, the public sector, previously a net contractionary influence, became strongly expansionary even allowing for distorted VAT payments. At the same time lending to the private sector jumped by £1.2bn.

But even before the statistical fog thrown up by the civil servants' dispute is cleared, the money figures will be blurred by another exceptional factor, as the definition of money is widened in November. The cynical will worry about definitional, not to say basal, drift. But, many in the markets will be tempted to agree with Mr Nicholas Goodison—that one should not lay down one's life for the money supply—and continue to watch the level of sterling.

Hanson/Berec

Berec's latest sally against the unwelcome bid from Hanson Trust makes it clear that if Hanson does succeed at the current price, it will have pulled off an attractive deal. The cash offer values the whole business at £70m, compared with net assets of £120m. Berec has a major share in the world's zinc carbon battery market, and is about to launch an alkaline manganese product which it claims is significantly more efficient than the competition.

Although share prices generally have fallen sharply since Hanson made its bid, Berec's forecast of £14m pre-tax is much better than the market had been anticipating. And the prospective yield at the offer price is over 7 per cent.

Despite all that, the odds are that unless Berec can come up with a white knight, Hanson is going to win the day with little or no improvement to its present terms. This is a reflection on Berec's performance over the last decade. Until the rise in sterling exposed the weakness of its traditional businesses in the late 1970s, its annual spending on research and development had been running at way under 1 per cent of sales. This effort has been substantially increased, but the group now faces formidable competition in the new systems. It says that by 1985 these products will be producing extra sales of £50m a year at today's prices, which does not sound like a sensational return on an investment which has already absorbed £40m in the last four years.

On a short term view, its forecast looks quite ambitious—it requires a 53 per cent profits improvement in the current half year. And in the last year or two, Berec has had more than its share of "exceptional" problems.

Honda

Honda has been a major casualty of the setback in the Japanese stock market. Since August its share price has declined by nearly 30 per cent compared with the 8 per cent drop in the Tokyo New Stock Exchange index. But while at first sight the consolidated net income figures for the first half—from March to August—appear daunting, with a 51 per cent setback to $123.2m, the results are much better than they look.

In the same period last year net income soared by a factor of 3½, boosted by currency translation gains as the yen depreciated, a factor compounded in the U.S.-style accounts by the operation of the notorious accounting standard FAS 8. Since then currency factors have worked in reverse. The underlying decline in profitability has probably been limited to about 10 per cent.

Honda has continued to perform strongly in cars, where it has switched its attention to the domestic market. In the first six months it has pushed up volume at home by 25 per cent, against a general market decline, although margins have been squeezed. Abroad it has been able to raise its prices successfully, especially in the U.S.

In motor-cycles, however, Honda has continued to lose market share so far this year to competitors, notably Yamaha. But it has pushed up capital spending in this area and plans a major assault with a series of new models in the current half.

Investment trusts

Investment trust shareholders have paid dearly — in the form of gaping discounts — for the flood of new issues at the beginning of the 1970s. So it is good to see that while some management groups are again cashing in on the demand for specialist trusts, others are actively seeking ways of helping their existing shareholders.

The latest gesture comes from North Atlantic Securities, formerly part of the Robert Fleming Group but now close to Morgan Grenfell, which wants to concentrate on overseas investment and, more importantly, give shareholders the chance once a year to liquidate.

The idea, of course, is not entirely new — a couple of trusts have recently given themselves limited lives — whereas liquidation has often been a theoretical option. The trouble is that small shareholders have tended to vote with their feet and the institutions have been reluctant to capsize the boat.

Warren Plantations

Warren Plantations has squeezed out some small compensation for its acceptance of McLeod Russell's offer. A full cash alternative is now on the table and employment guarantees have been provided. But the whole affair still leaves a very sour aftertaste. McLeod Russell has used its bare majority to block higher cash offers, presumably from the original Danish counter-bidder. And the low price which it is paying for Warren has pushed up its own share price, making the equity offer more attractive. Warren's own strategy has been less than masterly throughout, but the speed and economy with which the operation was executed may now be providing the Council for the Securities Industry with some food for thought.

French takeover debate to be curtailed

By Terry Dodsworth in Paris

THE French Government is to curtail parliamentary debate of its Nationalisation Bill in a manoeuvre aimed at outflanking its opponents in the opposition parties and the commercial world.

M Pierre Mauroy, the Prime Minister, yesterday singled out the Paribas Suisse affair as showing "the need to go quickly."

An overseas consortium is bidding for the Swiss subsidiary of the French Paribas banking group which is earmarked for nationalisation.

M Mauroy's remarks, coming after a more elliptical comment earlier in the week about the "shocking" lack of national feeling in certain banking circles, show the depth of the Government's annoyance with Paribas. There is some anxiety that the bank's example may be followed by other companies, with the effect that their foreign subsidiaries escape takeover.

The Government also wants to press ahead to remove the uncertainty hanging over the companies to be nationalised.

With no clear idea of when the Bill might go through, some corporate investment decisions that could play an important role in the country's economic growth strategy are *now running into delays.*

The Government runs the risk of heavy criticism by resorting to the special "urgent" Parliamentary procedure to push the Bill through.

This process cuts out the second reading in both the National Assembly and the Senate (the French upper house), and means that the Bill can be put straight to the normal inter-house committee once it has gone through the Senate.

In opposition, the Socialists frequently attacked the last administration for its authoritarian attitude to Parliament. One of the party's election promises was to give greater say to the country's elected representatives.

Tough Government plans for Civil Service pay

BY PHILIP BASSETT, LABOUR STAFF

PROPOSALS for bringing market forces and the "wider national interest" more directly to bear on the way the pay of Britain's 540,000 white-collar civil servants is determined were outlined by the Government yesterday.

The proposals, which drew a sharp response from Civil Service union leaders, are contained in the Government's initial evidence to the inquiry on Civil Service pay, chaired by Sr John Megaw, which was set up as part of the settlement to the five-month pay dispute earlier this year.

The inquiry is due to report by mid-summer, and the Government hopes to have negotiated a new pay agreement with the civil service unions based on its findings in time for the 1983 pay settlement.

Arguments are already taking place in Whitehall over the 1982 deal. The Treasury and the Prime Minister are understood to be urging a pay package of different offers for different groups in the Civil Service, with the aim of achieving an effect similar to that of the pay system the Government would clearly like to see as the outcome of the Megaw inquiry.

The aim of the new system the Government would like is that it should last, and provide for good industrial relations; that it should be acceptable to civil servants, Parliament and the public; and that it should "take proper account of broader economic considerations."

According to areas suggested by the Government for the inquiry to examine, the new system would include provision for different pay rates in different regions; rewarding merit; "stringent" valuation of such benefits as index-linked pensions and of such previously "under-valued" elements as job security; no-strike agreements for all civil servants, or *for those in sensitive areas;* and provision for the Government to override arbitration references or awards on the basis of economic necessity.

Central to such a system is a firm rejection of "fair comparisons" with outside rates of pay — the core of the 25-year-old system over which the dispute occurred.

The Government's evidence states that at a time of rapid economic change "'fairness'— certainly desirable — may not always be sustainable. Trading concerns have to react to such circumstances by laying off employees or by acknowledging that no pay increase is possible.

One civil service trade unionist described the proposals as "a hard-line, right-wing submission" which, if they became the outcome of the Megaw inquiry, would be completely unacceptable. Mr Bill Kendall, secretary-general of the Council of Civil Service Unions, said the evidence was "the most dogmatic, reactionary, political statement I have ever seen.

"It is a prescription for anarchic pay bargaining and permanent industrial strife." Union leaders will discuss the proposals, their own evidence to the inquiry, and this year's pay, next week.

Details Page 11, Editorial comment Page 18

Tebbit warns BL car workers

BY JOHN LLOYD, LABOUR CORRESPONDENT

WORKERS AT BL Cars vote early today on an all-out strike from November 1. The vote comes after a day in which the company, Government and union leaders underscored their determination not to compromise in the dispute over BL's 3.8 per cent pay offer.

● For the Government, Mr Norman Tebbit, the Employment Secretary, indicated likely Cabinet support for any request *from Sir Michael Edwardes,* the BL chairman, to liquidate all or part of the company.

Speaking on television, Mr Tebbit said there had been a long-standing understanding between Government and the company. "If Sir Michael feels that events inside the company, or outside, would preclude it from getting back through to viability, he would come to the Government with his proposals and those proposals, quite clearly from what he has said, could include some pretty extreme measures."

● For the company, Mr Geoffrey Armstrong, BL's director of employee relations, said: "The plain fact of the matter is that we just don't have the money to pay any more than the basic increase already on offer." Mr Armstrong pointed to the *company's existing productivity* bonus scheme as the means of improving earnings. This led to speculation that BL might improve bonus rates as a means of averting a strike.

● For the unions, Mr Grenville Hawley, the chief union negotiator, said Sir Michael's threat to liquidate the company was "typical of his sack 'em tactics." Mr Hawley said workers now realised that plant closures were being made irrespective of their co-operation.

The two major unions—the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers —have both made it clear that they will welcome a vote for strike action. However, senior officials of the TGWU were not prepared to forecast the result

Two very early, and small, straws in the wind gave BL management hope that today's vote would turn down the strike. Workers on the night shift at the Dunstable Tool and Die planted voted 21 to two against the action, while electricians at a Unipart Depot in Cowley voted against by 14 to five.

Tebbit hint on curbing militants Page 8

Continued from Page 1

Squeeze

ceased to deepen," but that the situation would not be quickly transformed.

"It *is* difficult to predict accurately the future course of output or to say how soon recovery will come."

Sir Geoffrey rejected the idea that the Government was "obsessed with a slavish regard for one monetary aggregate, Sterling M3."

Because of distortions caused by the abandonment of the "corset" controls on bank lending last year, and this year's civil servants' dispute, there was no practical alternative to looking at a range of monetary indicators.

He took comfort from the steady growth of nominal gross domestic product, a measure of total incomes and expenditure in the economy, which has been rising at about 10 per cent in the past year.

This was close to the rate *expected when the Government's* medium-term financial strategy was introduced, he said.

Emphasising the need for measures to control the exchange rate, although not going so far as to express an interest in the European Monetary System, Mr Richardson said that pursuit of exchange rate and monetary objectives recently had been "complementary and mutually reinforcing."

Monetary policy was needed as an "anchor to provide restraint on money incomes. But the scope for growth would depend "on getting inflation down to quite small numbers and keeping it there."

To accomplish real recovery, better productivity and responsible pay bargaining were needed as much as a responsible monetary policy.

Italy agrees to buy Siberian gas

BY JAMES BUXTON IN ROME

THE Soviet Union has secured its first agreement for the supply of gas from the proposed Siberian gas pipeline.

Snam, the subsidiary of ENI, the Italian state energy body responsible for gas, has signed a preliminary agreement for the supply of up to 8.5bn cubic metres from 1984.

Further Soviet deals, with West Germany and other Western European countries, are expected to be announced by the time Mr Leonid Brezhnev, the Soviet President, visits Bonn next month.

The Snam agreement, reached in Moscow in recent days, means Italy is firmly committed to taking gas from the pipeline. Earlier, Nuovo Pignone, the manufacturing subsidiary of ENI, had been awarded the contract to supply 19 of the 41 compressor-stations

Details of the Nuovo Pignone contract were not announced. The agreement is understood however to be worth £500m to £600m, roughly equivalent to a contract won in recent weeks by a German-French consortium to arrange supply of the balance of the compressor-stations.

The Snam agreement contains broad outlines of a formula for calculating the price of gas. The price will depend partly on the gas-consumption market, and partly on the price movement of a basket of different types of crude oil to which it will be indexed.

One of the issues to be settled is financing Italy's participation in the pipeline. The Soviet Union is understood to have asked Italy to put up $2.5bn to $3bn (£1.35bn to £1.62bn) in credits. Italy has sought to keep its commitment at not more than $500m.

Nuovo Pignone, the Florence-based company which is a leader in compressor technology, has disclosed no details of its contract for compressor-stations. It says final negotiations are in progress.

Cabinet split

Continued from Page 1

tios legislation in the Queen's Speech, and reaffirming his support for the Government's economic strategy.

"I am not wiling to throw away the prospects of lasting recovery in an orgy of self-indulgence, false sentimentality and self-justification."

Mr Tebbit would not go into details of the union legislation, but said he would seek to improve the working of the labour market, to protect the weak against the strong and to provide redress for those who were unjustly harmed by the actions of others.

"We are not union bashers. I have never bashed a union in my life, but in the winter of discontent how many of the old, the sick, the unemployed, the disabled, were bashed by unions? I have no wish to bash the unions, but I am not willing to stand aside if they begin to bash others weaker than themselves."

Mr Walter Goldsmith, of the Institute of Directors, said afterwards Mr Tebbit would have to attack trade union funds if the forthcoming legislation was to be effective.

Mr Lawson told a conference fringe meeting that the Government's critics within the Conservative Party were offering "cold feet dressed up as high principle." In his view, their proposals for reflation were close to "bribery dressed up as statesmanship."

In contrast, Mr Peter Walker, a leading Cabinet "wet," said at another fringe meeting that the Tory party had always been considered a party of sound management from a sensible and pragmatic viewpoint.

Mr Geoffrey Rippon, a leading critic of the Government on the Tory backbenches, launched an outspoken attack on Sir Geoffrey Howe, the Chancellor of the Exchequer.

He told a fringe meeting he had a high regard for the Chancellor, who had once been his Junior Minister.

"He is a very good Junior Minister, and he would make an admirable Lord Chancellor. But if one thing is certain it is that he does not have a profound knowledge of economics."

Weather

UK TODAY

GENERALLY cold. Southern England and Wales, mainly dry after a misty start. Scattered showers elsewhere.

London, S.E. England, E. Anglia, Midlands, S. Wales and Channel Islands.
Mainly dry, sunny intervals after a misty start. Max. 10C (50F).

N. Ireland and W. Scotland.
Showers, sunny intervals and more general outbreaks of rain later. Max. 8C (46F).

Rest of Scotland, N. England, N. Wales, Orkney and Shetland.
Sunny intervals and showers, dying out later. Max. 9C (48F).

Outlook: Changeable in the North, mostly dry in the South. Becoming warmer.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Lisbon	S	22	72
Algiers	S	30	86	Locarno	S	16	61
Amsdm.	C	10	50	London	R	8	46
Athens	S	24	75	L. Ang.†	C	20	68
Barcina.	S	24	75	Luxmbg.	C	6	43
Beirut	F	27	81	Luxor	S	36	96
Belfast	C	7	45	Madrid	S	25	77
Belgrd.	C	16	61	Majorca	S	25	77
Berlin	F	9	48	Malaga	S	22	72
Biarritz	R	18	64	Malta	S	26	79
Bmghm.	C	7	45	M'chstr.	R	7	45
Blackpl.	C	7	45	Melbne.	C	14	57
Bordx.	R	15	61	Miami†	S	21	70
Boulgn.	R	12	54	Milan	C	15	59
Bristol	C	7	45	Moscow	C	6	43
Brussels	F	8	46	Munich	C	16	61
Budpst.	C	11	52	Nairobi	F	28	82
Cairo	S	30	86	Naples	C	22	72
Cardiff	C	7	45	Nwcstl.	C	7	45
Cas'b'ca	C	23	73	N York†	S	9	48
Cape T.	S	18	64	Nice	S	26	79
Chicg.†	C	12	54	Nicosia	S	26	79
Cologne	R	8	46	Oporto	R	19	66
Cpnhgn.	F	8	46	Oslo	R	8	46
Corfu	S	24	75	Paris	R	13	55
Denver†	C	7	45	Perth	S	24	75
Dublin	C	9	48	Prague	R	7	45
Dbrvnk.	C	21	70	Reykjvk.	S	1	34
Ednbgh.	F	9	48	Rhodes	S	23	73
Faro	S	25	77	Rome	S	22	72
Florence	C	17	63	Salzbrg.	C	10	50
Frankft.	R	8	46	[illegible]	F	10	50
Funchal	C	22	72	Stckhm.	F	8	48
Genova	C	19	66	Strasbg.	C	17	63
Gibraltar	S	21	70	Sydney	F	19	66
G'rnsey	C	9	48	Tangier	S	22	72
Helsinki	R	5	41	Tel Aviv	F	27	81
H. Kong	F	27	81	Tenerife	S	22	72
Innsbrk.	F	14	57	Tokyo	C	16	61
Invrnss.	C	5	41	Tunis	S	29	84
I.o.Man	S	8	46	Valencia	S	31	88
Istanbul	C	16	61	Venice	C	15	59
Jersey	C	13	55	Vienna	R	9	48
Jo'burg	S	21	70	Warsaw	F	6	43
L. Plms.	S	25	77	Zurich	C	16	61

C—Cloudy. F—Fair. R—Rain. S—Sunny. † Noon GMT temperatures.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.